

## **Fiscal Year 2015 Audit Documents**

[-Annual Financial Report](#)

[-Required Communication Letters](#)

**Village of Barrington Hills, Illinois**

**Annual Financial Report**

For the year ended  
**December 31, 2015**

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
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**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
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### *Independent Auditor's Report*

The Honorable President  
Members of the Board of Trustees  
Village of Barrington Hill, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Barrington Hills, Illinois (the Village), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Barrington Hills, Illinois, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended December 31, 2015. Statement No. 68 expands disclosures related to pensions (Police Pension and IMRF) and requires the Village to report the net pension liability in the statement of net position. The adoption of this statement decreased the Village's net position by \$7,123,987 as of January 1, 2015 as disclosed in note 12. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Klein, Hall CPAs  
Aurora, Illinois  
June 27, 2016

**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

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The management of the Village of Barrington Hills offers all persons interested in the financial position of the Village this narrative overview and analysis of the Village's financial performance during the year ending December 31, 2015. You are invited to read this narrative in conjunction with the Village's financial statements. The Village presents several tables and graphs in the management's discussion and analysis that display comparative information.

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**FINANCIAL HIGHLIGHTS**

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- The liabilities and deferred inflows of resources of the Village of Barrington Hills exceeded its assets and deferred outflows of resources by \$1,309,210 (net position). Of this amount, \$1,878,612 is restricted for specific purposes (restricted net position), and \$1,745,889 is invested in capital assets, which leaves unrestricted net position of (\$4,933,711).
  - Total governmental net position decreased by \$57,116 due to the pension expense reported in accordance with the implementation of GASB Statement No. 68.
  - On December 31, 2015, the Village's governmental funds reported combined fund balances of \$3,610,704, an increase of \$17,216 from December 31, 2015.
  - During the year, government-wide revenues totaled \$8,300,639, while expenses totaled \$8,357,755.
  - The General Fund reported total ending fund balance of \$2,111,103, an increase of \$156,728 from the prior year.
  - The Village's governmental funds reported total revenues of \$8,300,639, compared to \$8,352,428, which was forecasted.
  - The Village's governmental funds reported total expenditures of \$8,310,373, compared to \$12,132,500, which was appropriated, and \$8,362,428, which was budgeted.
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**OVERVIEW OF THE FINANCIAL STATEMENTS**

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This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The fund financial statements focus on individual parts of the Village government and report the Village's operations in more detail than the government-wide statements.

The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government

**OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net position - the difference between the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the Village's financial health, or position. Over time, increases or decreases in the Village's net position is an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's roads.

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

**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 two categories: governmental 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 on 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 funds balance sheet and the governmental funds 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 four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Fund, Roads and Bridges Fund, and Debt Service Fund, each of which are considered to be major funds, except for the nonmajor Debt Service Fund.



**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

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**OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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The Village adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget.

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside 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.

*Notes to 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.

*Other Information* – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents certain budgetary comparisons. The debt service fund budget comparison and property tax information schedules are presented immediately following the required supplementary information.

**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

An analysis of the Village's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the Village's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

A summary of the Village's Statement of Net Position is presented below in Table 1.

**Table 1**  
**Condensed Statement of Net Position**

|                                      | Governmental Activities |                                |
|--------------------------------------|-------------------------|--------------------------------|
|                                      | December 31,<br>2015    | December 31,<br>2014, Restated |
| Current and other assets             | \$ 11,150,027           | \$ 11,711,919                  |
| Capital assets                       | 1,811,534               | 1,886,083                      |
| Total Assets                         | 12,961,561              | 13,598,002                     |
| Pensions                             | 1,818,484               | -                              |
| Total Deferred Outflows of Resources | 1,818,484               | -                              |
| Current liabilities                  | 293,260                 | 510,842                        |
| Noncurrent liabilities               | 9,221,199               | 7,887,249                      |
| Total liabilities                    | 9,514,459               | 8,398,091                      |
| Property taxes                       | 6,197,304               | 6,452,005                      |
| Pensions                             | 377,492                 | -                              |
| Total Deferred Inflows of Resources  | 6,574,796               | 6,452,005                      |
| Net invested in capital assets       | 1,745,889               | 1,798,881                      |
| Restricted                           | 1,878,612               | 2,032,760                      |
| Unrestricted                         | (4,933,711)             | (5,083,735)                    |
| Total Net Position                   | \$ (1,309,210)          | \$ (1,252,094)                 |

One portion of the Village's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Village had one capital lease outstanding as of December 31, 2015. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Village's net position represents sources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position can be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village reported positive balances in restricted net position and the net investment in capital assets. Unrestricted net position was reported as negative due to the implementation of GASB Statement No. 68 and the reporting of the net pension liability.

**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)**

**Table 2**  
**Condensed Statement of Activities**

|                                     | Governmental Activities |                      |
|-------------------------------------|-------------------------|----------------------|
|                                     | December 31,<br>2015    | December 31,<br>2014 |
| Revenues:                           |                         |                      |
| Program revenues                    |                         |                      |
| Charges for services                | \$ 214,105              | \$ 402,920           |
| Operating grants and contributions  | 122,335                 | 148,297              |
| Capital grants and contributions    | 58,843                  | 98,709               |
| General Revenues                    |                         |                      |
| Property Taxes                      | 6,610,092               | 6,582,997            |
| Utility Taxes                       | 541,014                 | 548,223              |
| Income Taxes                        | 447,851                 | 402,987              |
| Sales/ Uses/ Replacement Taxes      | 182,080                 | 165,844              |
| Other Taxes                         | 48,760                  | 54,711               |
| Investment Income                   | 13,812                  | 10,203               |
| Miscellaneous Income                | 61,747                  | 18,589               |
| Total revenues                      | <u>8,300,639</u>        | <u>8,433,480</u>     |
| Expenses:                           |                         |                      |
| General Government                  | 1,804,174               | 2,001,690            |
| Public Safety                       | 4,607,738               | 4,144,576            |
| Road and bridges                    | 1,891,400               | 1,473,560            |
| Health                              | 9,244                   | 2,869                |
| Interest on long-term debt          | 45,199                  | 52,915               |
| Total Expenses                      | <u>8,357,755</u>        | <u>7,675,610</u>     |
| Changes in Net Position             | <u>(57,116)</u>         | <u>757,870</u>       |
| Beginning Net Position              | 5,871,893               | 5,114,023            |
| Restatement                         | (7,123,987)             | -                    |
| Beginning Net Position, as restated | <u>(1,252,094)</u>      | <u>5,114,023</u>     |
| Ending Net Postion                  | <u>\$ (1,309,210)</u>   | <u>\$ 5,871,893</u>  |

As previously noted, the Statement of Net Position shows the change in financial position of the Village. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown above in Table 2.

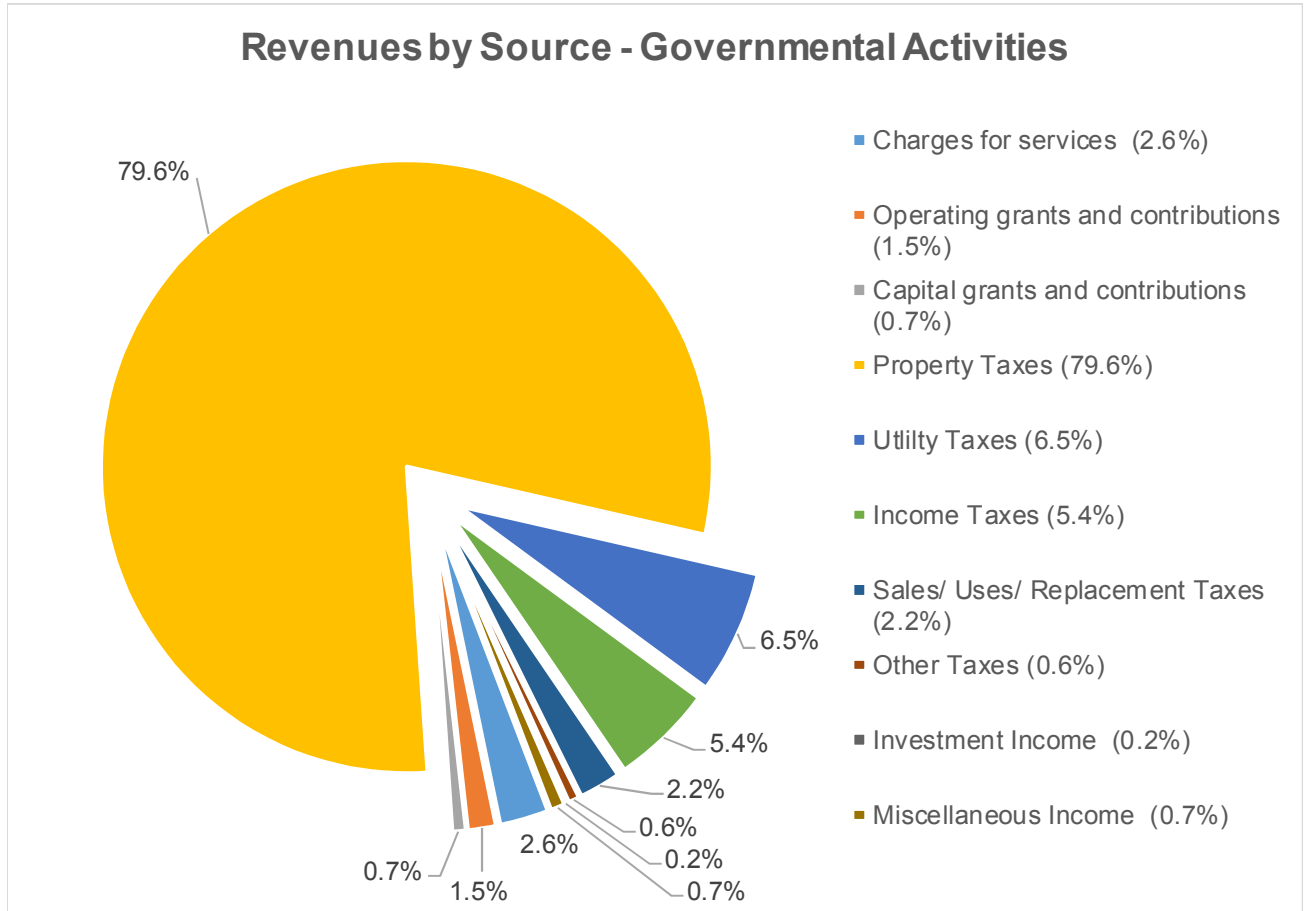
The increase in Public Safety expenses is primarily due to the increase in the net pension liability for the Police Pension Fund, which is adjusted at the government-wide level and not reported at the fund level.

The increase in Road and Bridges expenses is due to an increase in road maintenance costs.

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)**

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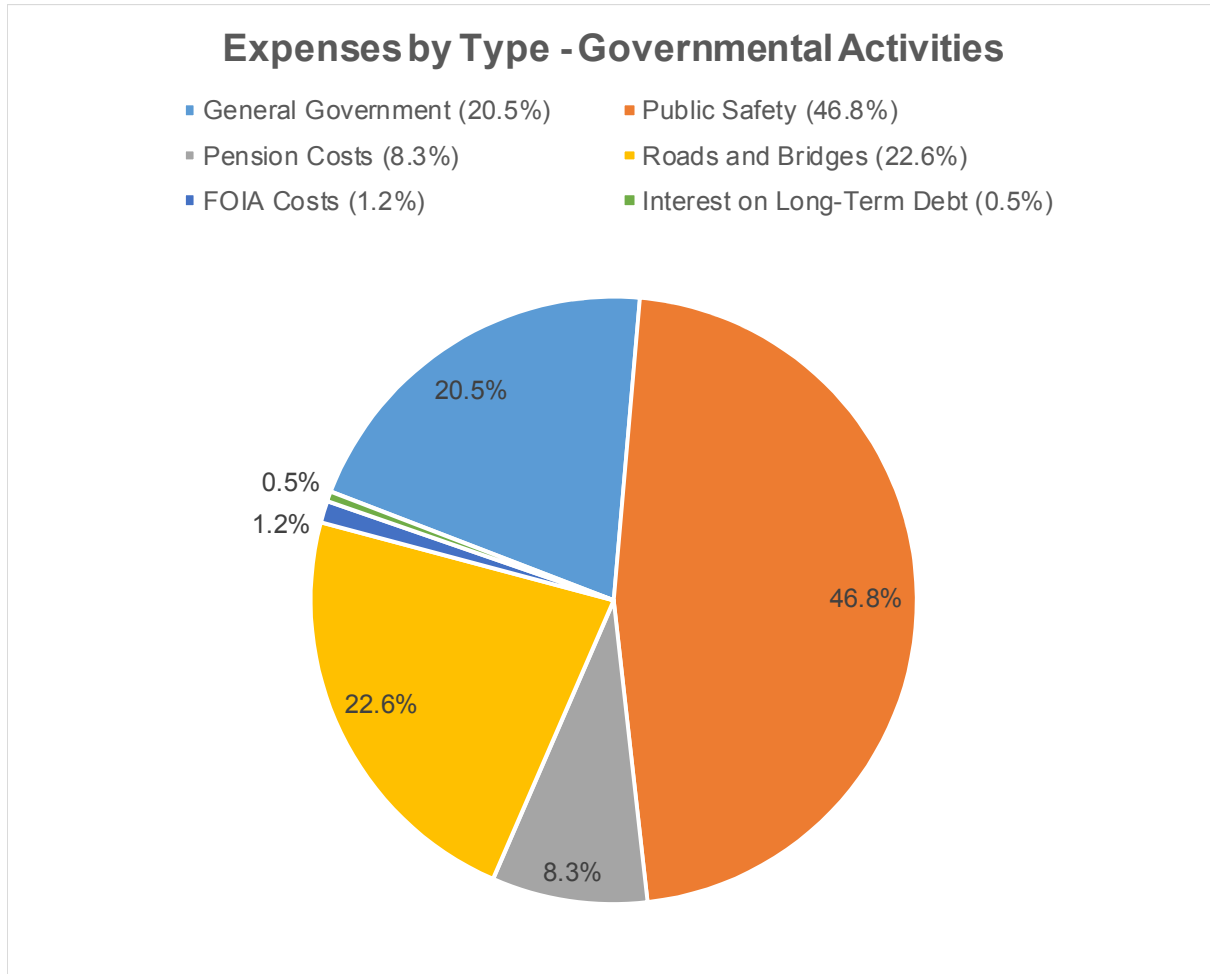
**Chart 1**



**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)**

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**Chart 2**



**GOVERNMENTAL ACTIVITIES**

Governmental activities decreased the Village's net position by \$57,116. This decrease is primarily a result of decreased revenues and reporting net pension expense.

The preceding revenues graph (Chart 1) depicts the major revenue sources of the Village. It depicts very clearly the Village's reliance on property taxes to fund governmental activities. It also clearly identifies the minor percentage the Village receives from sales taxes.

The preceding expense and program revenues graph (Chart 2) identifies those governmental functions where program expenses greatly exceed program revenues.

**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

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**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

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***GOVERNMENTAL FUNDS***

The focus of the Village of Barrington Hills' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At December 31, 2015, the Village's governmental funds reported combined fund balances of \$3,610,704. Of this amount, \$1,631,520 constitutes unassigned fund balance, which is available to meet the Village's current and future needs. The remaining \$1,979,184 is nonspendable, restricted or assigned. The combined fund balance increased from last year's total of \$3,593,488.

***General Fund***

The Village's General Fund is the chief operating fund of the Village. Total fund balance in the General Fund increased \$156,728 or 8%. This was due primarily to the decrease in litigation expenditures, employee contributions to health insurance, lowered fuel costs, and the sale of certain capital assets.

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**GENERAL FUND APPROPRIATION HIGHLIGHTS**

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The General Fund actual revenues for the current year were \$3,865,048 compared to the revenue forecast of \$3,937,052. This variance is primarily due to decreases in fees, permits, license and miscellaneous revenues over the course of the year.

The General Fund appropriation for the year ended December 31, 2015 had total expenditures of approximately \$5,352,500. The General Fund actual expenditures were lower than the expenditure appropriation. Actual expenditures and transfers totaled \$3,735,270. The variance reflects the Village's longstanding practice (and the statutory requirement pursuant to 65 ILCS 64 5/8-2-9) of appropriating more than it plans to expend, thereby ensuring the availability of adequate revenues to support essential Village functions.

**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

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**CAPITAL ASSETS**

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At the end of 2015, the Village had invested a total of \$1,811,534 in capital assets. This investment in capital assets includes land, buildings and improvements, equipment, furniture, and vehicles. This investment does not include infrastructure acquired prior to 2004, which the Village is not required to record.

Capital assets remained comparable to the prior year. The total decrease in the Village's investment in capital assets for the current fiscal year was \$74,549.

**Table 1**  
**Capital Assets**

|  | Governmental Activities |                      |
|--|-------------------------|----------------------|
|  | December 31,<br>2015    | December 31,<br>2014 |
| Capital assets not being depreciated       | \$ 350,349              | \$ 350,349           |
| Land                                       |                         |                      |
| Capital assets being depreciated           |                         |                      |
| Buildings and improvements                 | 2,199,492               | 2,131,642            |
| Equipment, furniture and vehicles          | 1,101,381               | 1,208,979            |
| <b>Total Capital Assets</b>                | <b>3,651,222</b>        | <b>3,690,970</b>     |
| Less; Accumulated depreciation             | (1,839,688)             | (1,804,887)          |
| <b>Capital Assets, Net of Depreciation</b> | <b>\$ 1,811,534</b>     | <b>\$ 1,886,083</b>  |

Additional information on the Village's capital assets can be found in Note 5.

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**LONG-TERM LIABILITIES**

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At December 31, 2015, the Village had \$9,221,199 of governmental debt, compensated absences, and net pension liability outstanding as compared to \$8,119,321 the previous year. This was primarily a result of a repayment of general obligation debt and a net increase in net pension liability for the Police Pension Fund.

In accordance with Illinois Statutes, total general obligation indebtedness of the Village is not limited. Total general obligation debt outstanding at year end was \$1,160,000.

**Table 1**  
**Long Term Liabilities**

|                         | Governmental Activities |                                |
|-------------------------|-------------------------|--------------------------------|
|                         | December 31,<br>2015    | December 31,<br>2014, Restated |
| General obligation debt | \$ 1,160,000            | \$ 1,370,000                   |
| Capital lease payable   | 65,645                  | 87,202                         |
| Compensated absences    | 13,735                  | 13,632                         |
| Net pension liability   | 7,981,819               | 6,648,487                      |
| <b>Total</b>            | <b>\$ 9,221,199</b>     | <b>\$ 8,119,321</b>            |

**VILLAGE OF BARRINGTON HILLS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2015

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**LONG-TERM LIABILITIES (cont.)**

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Additional information on the Village's long-term liabilities can be found in Note 6.

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**CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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The Village's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, including tax rates, and fees that will be charged for its various activities. One of those factors is the economy. The Village is faced with a similar economic environment as many of the other local municipalities, including inflation rates and economic trends, particularly as they pertain to building activity. None of these conditions are anticipated to significantly change the overall financial position of the Village.

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**REQUESTS FOR INFORMATION**

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This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's finances. If you have questions about this report, or need additional financial information, contact Peggy Hirsch, Village Treasurer.



## **Basic Financial Statements**

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Statement of Net Position

December 31, 2015

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|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Cash and investments                             | \$ 3,511,789               |
| Restricted cash - cash with paying agent         | 236,150                    |
| Receivables                                      |                            |
| Taxes  | 6,223,349                  |
| Other  | 67,681                     |
| Accrued interest                                 | 2,165                      |
| Due from other governments                       | 174,562                    |
| Prepaid items                                    | 100,572                    |
| Net pension asset - IMRF                         | 833,759                    |
| Capital assets not being depreciated             | 350,349                    |
| Capital assets (net of accumulated depreciation) | <u>1,461,185</u>           |
| Total assets                                     | <u>12,961,561</u>          |
| <b>Deferred Outflows of Resources</b>            |                            |
| Pension related - Police Pension Plan            | 1,325,710                  |
| Pension related - IMRF                           | <u>492,774</u>             |
| Total deferred outflows of resources             | <u>1,818,484</u>           |
| <b>Liabilities</b>                               |                            |
| Accounts payable                                 | 269,672                    |
| Accrued interest payable                         | 21,150                     |
| Due to fiduciary fund                            | 2,438                      |
| Long-term liabilities                            |                            |
| Due within one year                              | 240,296                    |
| Due in more than one year                        | 999,084                    |
| Net pension liability - Police Pension Plan      | <u>7,981,819</u>           |
| Total liabilities                                | <u>9,514,459</u>           |
| <b>Deferred Inflows of Resources</b>             |                            |
| Property taxes levied for subsequent year        | 6,197,304                  |
| Pension related - Police Pension Plan            | 195,032                    |
| Pension related - IMRF                           | <u>182,460</u>             |
| Total deferred inflows of resources              | <u>6,574,796</u>           |
| <b>Net Position</b>                              |                            |
| Net Investment in Capital Assets                 | 1,745,889                  |
| Restricted                                       |                            |
| Employee retirement                              | 150,364                    |
| Liability insurance                              | 218,834                    |
| Public safety                                    | 1,406,488                  |
| Debt service                                     | 102,926                    |
| Unrestricted                                     | <u>(4,933,711)</u>         |
| <b>Total Net Position</b>                        | <u>\$ (1,309,210)</u>      |

*See accompanying notes to financial statements*

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Statement of Activities

Year Ended December 31, 2015

| Function/Program                     | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Change in Net Position |
|--------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|--|
|                                      |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |  |
| <b>Governmental Activities</b>       |                     |                      |                                    |                                  |  |
| General government                   | \$ 1,804,174        | \$ 79,466            | \$ 5,350                           | \$ -                             | \$ (1,719,358)                                   |
| Public safety                        | 4,607,738           | 72,099               | 14,086                             | -                                | (4,521,553)                                      |
| Roads and bridges                    | 1,891,400           | 62,540               | 102,899                            | 58,843                           | (1,667,118)                                      |
| Health services                      | 9,244               | -                    | -                                  | -                                | (9,244)  |
| Interest                             | 45,199              | -                    | -                                  | -                                | (45,199)   |
| <b>Total Governmental Activities</b> | <b>\$ 8,357,755</b> | <b>\$ 214,105</b>    | <b>\$ 122,335</b>                  | <b>\$ 58,843</b>                 | <b>(7,962,472)</b>                               |
|                                      |                     | General Revenues     |                                    |                                  |  |
|                                      |                     | Taxes                |                                    |                                  |  |
|                                      |                     |                      |                                    |                                  | 6,610,092  |
|                                      |                     |                      |                                    |                                  | 141,841  |
|                                      |                     |                      |                                    |                                  | 40,239   |
|                                      |                     |                      |                                    |                                  | 541,014  |
|                                      |                     |                      |                                    |                                  | 48,760   |
|                                      |                     | Intergovernmental    |                                    |                                  |  |
|                                      |                     |                      |                                    |                                  | 447,851  |
|                                      |                     |                      |                                    |                                  | 13,812   |
|                                      |                     |                      |                                    |                                  | 61,747   |
|                                      |                     |                      |                                    |                                  | <u>7,905,356</u>                                 |
|                                      |                     |                      |                                    |                                  | <u>(57,116)</u>                                  |
|                                      |                     |                      |                                    |                                  | 5,871,893  |
|                                      |                     |                      |                                    |                                  | <u>(7,123,987)</u>                               |
|                                      |                     |                      |                                    |                                  | <u>(1,252,094)</u>                               |
|                                      |                     |                      |                                    |                                  | <u>\$ (1,309,210)</u>                            |

See accompanying notes to financial statements

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**Balance Sheet  
Governmental Funds  
December 31, 2015

|  | General             | Public<br>Safety    |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash and investments   | \$ 3,353,130        | \$ 85,902           |
| Restricted cash - cash with paying agent                                       | -                   | -                   |
| Receivables  |                     |                     |
| Taxes  | 2,069,620           | 2,054,313           |
| Other  | 62,861              | 4,820               |
| Accrued interest   | 2,165               | -                   |
| Due from other funds   | 5,977               | 1,312,409           |
| Due from other governments   | 138,838             | -                   |
| Prepaid items  | 100,572             | -                   |
| <b>Total Assets</b>  | <b>\$ 5,733,163</b> | <b>\$ 3,457,444</b> |
| <b>Liabilities, Deferred Outflows of<br/>Resources, and Fund Balances</b>      |                     |                     |
| <b>Liabilities</b>   |                     |                     |
| Accounts payable   | \$ 86,438           | \$ -                |
| Bonds payable  | -                   | -                   |
| Accrued interest payable   | -                   | -                   |
| Due to other funds   | 1,472,840           | 5,977               |
| Due to fiduciary fund  | 2,438               | -                   |
| <b>Total liabilities</b>   | <b>1,561,716</b>    | <b>5,977</b>        |
| <b>Deferred Inflows of Resources</b>   |                     |                     |
| Property taxes levied for subsequent year                                      | 2,060,344           | 2,044,979           |
| <b>Total liabilities and deferred<br/>inflows of resources</b>                 | <b>3,622,060</b>    | <b>2,050,956</b>    |
| <b>Fund Balances</b>   |                     |                     |
| Nonspendable - prepaid items   | 100,572             | -                   |
| Restricted   |                     |                     |
| Employee retirement  | 150,364             | -                   |
| Liability insurance  | 218,834             | -                   |
| Public safety  | -                   | 1,406,488           |
| Debt service   | -                   | -                   |
| Unrestricted   |                     |                     |
| Unassigned (deficit)   | 1,641,333           | -                   |
| <b>Total Fund Balances</b>   | <b>2,111,103</b>    | <b>1,406,488</b>    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b> | <b>\$ 5,733,163</b> | <b>\$ 3,457,444</b> |

*See accompanying notes to financial statements*

| Roads and<br>Bridges | Nonmajor<br>Debt<br>Service | Total                |
|----------------------|-----------------------------|----------------------|
| \$ 72,757            | \$ -                        | \$ 3,511,789         |
| -                    | 236,150                     | 236,150              |
| 1,835,883            | 263,533                     | 6,223,349            |
| -                    | -                           | 67,681               |
| -                    | -                           | 2,165                |
| 58,555               | 101,876                     | 1,478,817            |
| 35,724               | -                           | 174,562              |
| -                    | -                           | 100,572              |
| <u>\$ 2,002,919</u>  | <u>\$ 601,559</u>           | <u>\$ 11,795,085</u> |
| <br>                 |                             |                      |
| \$ 183,234           | \$ -                        | \$ 269,672           |
| -                    | 215,000                     | 215,000              |
| -                    | 21,150                      | 21,150               |
| -                    | -                           | 1,478,817            |
| -                    | -                           | 2,438                |
| <u>183,234</u>       | <u>236,150</u>              | <u>1,987,077</u>     |
| <br>                 |                             |                      |
| <u>1,829,498</u>     | <u>262,483</u>              | <u>6,197,304</u>     |
| <br>                 |                             |                      |
| <u>2,012,732</u>     | <u>498,633</u>              | <u>8,184,381</u>     |
| <br>                 |                             |                      |
| -                    | -                           | 100,572              |
| -                    | -                           | 150,364              |
| -                    | -                           | 218,834              |
| -                    | -                           | 1,406,488            |
| -                    | 102,926                     | 102,926              |
| <u>(9,813)</u>       | <u>-</u>                    | <u>1,631,520</u>     |
| <br>                 |                             |                      |
| <u>(9,813)</u>       | <u>102,926</u>              | <u>3,610,704</u>     |
| <br>                 |                             |                      |
| <u>\$ 2,002,919</u>  | <u>\$ 601,559</u>           | <u>\$ 11,795,085</u> |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
December 31, 2015

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|   |                              |
|---|------------------------------|
| <b>Total Fund Balances of Governmental Funds</b>  | <b>\$ 3,610,704</b>          |
| Amounts reported for governmental activities in the<br>statement of net position are different because:   |                              |
| Capital assets used in governmental activities are not financial<br>and, therefore, are not reported in the governmental funds  | 1,811,534                    |
| Net pension assets are not financial resources and are not reported<br>in governmental funds  | 833,759                      |
| Deferred outflows of resources related to pensions do not relate to current<br>financial resources and are not reported in the governmental funds.  | 1,818,484                    |
| Deferred inflows of resources related to pensions do not relate to current<br>financial resources and are not reported in the governmental funds.   | (377,492)                    |
| Some liabilities (excluding those reported in the internal service funds amount<br>above), including long-term debt, are not due and payable in the current period<br>and therefore, are not reported in the funds. |                              |
| Bonds payable   | (945,000)                    |
| Capital lease payable   | (65,645)                     |
| Compensated absences payable  | (13,735)                     |
| Net pension liability   | <u>(7,981,819)</u>           |
| <b>Net Position of Governmental Activities</b>  | <b><u>\$ (1,309,210)</u></b> |

*See accompanying notes to financial statements*

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

Year Ended December 31, 2015

|  | General                    | Public<br>Safety           |
|--|----------------------------|----------------------------|
| <b>Revenues</b>                                      |                            |                            |
| Taxes  | \$ 3,091,340               | \$ 2,305,819               |
| Fees, permits and licenses                           | 135,031                    | -                          |
| Charges for services                                 | 85,485                     | 54,045                     |
| Fines and forfeitures                                | 65,445                     | 3,538                      |
| Intergovernmental                                    | 458,399                    | -                          |
| Investment income                                    | 13,699                     | 77                         |
| Miscellaneous  | 15,649                     | 28,129                     |
| Total Revenues                                       | <u>3,865,048</u>           | <u>2,391,608</u>           |
| <b>Expenditures</b>                                  |                            |                            |
| Current Operating                                    |                            |                            |
| General government                                   | 1,773,573                  | -                          |
| Public safety  | 1,773,613                  | 2,401,947                  |
| Roads and bridges                                    | -                          | -                          |
| Health services                                      | 9,244                      | -                          |
| Capital outlay                                       | 178,840                    | -                          |
| Debt Service   |                            |                            |
| Principal retirement                                 | -                          | 21,557                     |
| Interest and fiscal charges                          | -                          | 2,899                      |
| Total Expenditures                                   | <u>3,735,270</u>           | <u>2,426,403</u>           |
| Excess (Deficiency) of Revenues<br>over Expenditures | 129,778                    | (34,795)                   |
| <b>Other Financing Sources (Uses)</b>                |                            |                            |
| Sale of capital assets                               | 26,950                     | -                          |
| Total Other Financing Sources (Uses)                 | <u>26,950</u>              | <u>-</u>                   |
| Net Change in Fund Balance                           | 156,728                    | (34,795)                   |
| Fund Balance, Beginning of Year                      | <u>1,954,375</u>           | <u>1,441,283</u>           |
| <b>Fund Balance, End of Year</b>                     | <u><u>\$ 2,111,103</u></u> | <u><u>\$ 1,406,488</u></u> |

*See accompanying notes to financial statements*

| Roads and<br>Bridges | Nonmajor<br>Debt<br>Service | Total               |
|----------------------|-----------------------------|---------------------|
| \$ 1,596,116         | \$ 260,848                  | \$ 7,254,123        |
| -                    | -                           | 135,031             |
| -                    | -                           | 139,530             |
| -                    | -                           | 68,983              |
| 161,742              | -                           | 620,141             |
| 36                   | -                           | 13,812              |
| 25,241               | -                           | 69,019              |
| <u>1,783,135</u>     | <u>260,848</u>              | <u>8,300,639</u>    |
| -                    | -                           | 1,773,573           |
| -                    | -                           | 4,175,560           |
| 1,891,400            | -                           | 1,891,400           |
| -                    | -                           | 9,244               |
| -                    | -                           | 178,840             |
| -                    | 215,000                     | 236,557             |
| -                    | 42,300                      | 45,199              |
| <u>1,891,400</u>     | <u>257,300</u>              | <u>8,310,373</u>    |
| (108,265)            | 3,548                       | (9,734)             |
| -                    | -                           | 26,950              |
| -                    | -                           | 26,950              |
| (108,265)            | 3,548                       | 17,216              |
| <u>98,452</u>        | <u>99,378</u>               | <u>3,593,488</u>    |
| <u>\$ (9,813)</u>    | <u>\$ 102,926</u>           | <u>\$ 3,610,704</u> |



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Governmental  
Activities in the Statement of Activities  
Year Ended December 31, 2015

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**Net Change in Fund Balances - Total Governmental Funds** \$ 17,216

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 136,377

The repayment of the principal portion of 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 236,557

Proceeds from the disposal of capital assets are recognized in governmental funds but the gain (loss) is recognized in the statement of activities (55,236)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Depreciation (155,690)  
Compensated absences (103)  
Net pension asset - IMRF (343,897)  
Net pension liability - police pension (1,333,332)  
Deferred outflows and inflows of resources related to pensions 1,440,992

**Change in Net Position of Governmental Activities** \$ (57,116)

*See accompanying notes to financial statements*

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Statement of Fiduciary Net Position

December 31, 2015

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|  | <u>Pension Trust</u>       |
|--|----------------------------|
|  | Police                     |
|  | <u>Pension</u>             |
| <b>Assets</b>  |                            |
| Cash and cash equivalents                              | \$ 504,993                 |
| Investments, at fair value                             |                            |
| Fixed income   | 4,442,400                  |
| Equities   | 3,483,525                  |
| Receivables  |                            |
| Accrued interest                                       | 12,142                     |
| Due from Village                                       | 2,438                      |
| Prepaid expenses                                       | <u>2,415</u>               |
| Total assets   | <u>8,447,914</u>           |
| <b>Liabilities</b>                                     |                            |
| Accounts payable                                       | <u>10,045</u>              |
| Total liabilities                                      | <u>10,045</u>              |
| <b>Net Position Held in Trust for Pension Benefits</b> | <u><u>\$ 8,437,869</u></u> |

*See accompanying notes to financial statements*

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2015

|  | <u>Pension Trust</u><br><u>Police</u><br><u>Pension</u> |
|--|---|
| <b>Additions</b>                                       |   |
| Contributions  |   |
| Employer   | \$ 693,107  |
| Employee   | <u>154,480</u>  |
| Total contributions                                    | <u>847,587</u>  |
| Investment income                                      |   |
| Net depreciation in fair value<br>of investments       | (92,106)  |
| Interest and dividends                                 | <u>137,806</u>  |
| Total investment income                                | 45,699  |
| Less investment expense                                | <u>(23,946)</u>   |
| Net investment income                                  | <u>21,753</u>   |
| Total additions  | <u>869,341</u>  |
| <b>Deductions</b>                                      |   |
| Benefits   | 411,322   |
| Administration   | <u>30,837</u>   |
| Total deductions                                       | <u>442,160</u>  |
| Net Increase (Decrease)                                | 427,181   |
| <b>Net Position Held in Trust for Pension Benefits</b> |   |
| Beginning of Year                                      | <u>8,010,688</u>  |
| End of Year  | <u><u>\$ 8,437,869</u></u>                              |

*See accompanying notes to financial statements*

## VILLAGE OF BARRINGTON HILLS, ILLINOIS

Notes to Financial Statements

December 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Barrington Hills, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies of the Village.

#### a. Reporting Entity

The Village is a body corporate and politic established under Illinois Compiled Statutes (ILCS) governed by an elected President and Board of Trustees. The Village is considered to be a primary government pursuant to GASB Statements No. 14 and No. 61 since it is legally separate and fiscally independent.

#### b. Fund Accounting

The Village uses funds to report on its financial position and the changes in its financial position. 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 and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds restricted, committed or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds restricted, committed or assigned for 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.

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.

#### c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

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 shared 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## VILLAGE OF BARRINGTON HILLS, ILLINOIS

Notes to Financial Statements

December 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Village, except those accounted for in another fund.

The Public Safety Fund is used to account for resources that are restricted, committed or assigned to supporting expenditures for the Village's public safety operation, including police protection, the school crossing guard program, expenditures related to the installations and maintenance of the emergency 911 telephone system, and expenditures related to drug, DUI and gang awareness and prevention programs.

The Roads and Bridges Fund is used to account for resources that are restricted, committed or assigned to supporting expenditures for the repair and maintenance of the Village's roads and bridges.

The Village reports the following nonmajor governmental fund:

The Debt Service Fund is used to account for resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt, principal, interest and related costs.

Additionally, the Village reports the following fiduciary fund:

The Police Pension Fund is used to account for the police pension activities.

#### 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 fiduciary fund financial statements. 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.

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 and telecommunication 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 unless payment is due shortly after year end.

Property taxes, sales taxes (owed to the state at year end), simplified telecommunication taxes, utility taxes, franchise taxes, licenses, charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Village reports deferred/unearned revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Deferred/unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Deferred/unearned 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 and deferred inflows of resources for deferred/unearned and unavailable revenue are removed from the financial statements and revenue is recognized.

**e. Cash and Cash Equivalents**

The Village considers liquid deposits or investments with a maturity of three months or less when purchased to be cash equivalents.

**f. Investments**

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

**g. Prepaid Items/Expenses**

Payments made to vendors for services, if any, that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

**h. Capital Assets**

Capital assets are recorded as expenditures at the time of purchase. Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., storm sewers and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of \$2,500 for general capital assets and \$15,000 for infrastructure assets, 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.

The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets                              | Years |
|-------------------------------------|-------|
| Buildings and building improvements | 10-45 |
| Machinery and furniture             | 3-20  |
| Land improvements                   | 15-20 |

## VILLAGE OF BARRINGTON HILLS, ILLINOIS

Notes to Financial Statements

December 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i. Compensated Absences

Vested or accumulated vacation and sick leave are reported as an expenditure and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation and sick leave of governmental activities is recorded as an expense and liability of those funds as the benefits accrue to employees.

#### j. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts 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 expensed in the year of issuance.

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.

#### k. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance resulted from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village Board, which is considered the Village's highest level of decision-making authority. Formal actions include ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Village Administrator. Any residual fund balance of the General Fund is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets less any long-term debt issued to acquire or construct the capital assets.

#### l. Interfund Transactions

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

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

**n. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**o. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS**

**a. Permitted Deposits and Investments**

ILCS and the Village's investment policy authorize the Village to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow 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 objectives of the policy are legality, safety (preservation of capital and protection of investment principal), liquidity and yield.



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)****b. 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's investment policy requires pledging of collateral for all funds on deposit, including checking accounts and certificates of deposit, that are in excess of FDIC. The collateral must be in the name of the Village and held at an independent third party institution and must be evidenced by a written agreement.

**c. Village Investments***Interest Rate Risk*

The following table presents the investments and maturities of the Village's debt securities as of December 31, 2015:

| Investment Type                    | Fair Value        | Investment Maturities (in Years) |                   |             |                 |
|------------------------------------|-------------------|----------------------------------|-------------------|-------------|-----------------|
|                                    |                   | Less than 1                      | 1-5               | 6-10        | Greater than 10 |
| Negotiable certificates of Deposit | \$ 948,807        | \$ 799,305                       | \$ 149,502        | \$ -        | \$ -            |
|                                    | <u>\$ 948,807</u> | <u>\$ 799,305</u>                | <u>\$ 149,502</u> | <u>\$ -</u> | <u>\$ -</u>     |

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

*Credit Risk*

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 negotiable certificates of deposit. The negotiable certificates of deposit are not rated but are each covered by FDIC insurance up to \$250,000.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment basis (DVP) with the underlying investments held in a custodial account with the trust department of an approved financial institution. Illinois Funds are not subject to custodial credit risk.

*Concentration of Credit Risk*

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. At December 31, 2015, the Village had greater than 5% of its overall portfolio invested in negotiable certificates of deposit. The Village's investment policy requires diversification of investment to avoid unreasonable risk but has no set percentage limits. Therefore, the Village is in compliance with its investment policy.

## VILLAGE OF BARRINGTON HILLS, ILLINOIS

Notes to Financial Statements

December 31, 2015

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### 2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### d. Police Pension Fund Investments

Illinois Compiled Statutes (ILCS) limit the Police Pension Plan's (the Plan) investments to those allowable by ILCS and require the Plan's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Plan's investment policy authorizes the Plan to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Plan may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts (not to exceed 45% of the total assets of the Police Pension Plan). The pension fund specifically prohibits the investments in futures, options, derivations and other leveraged investments.

All investments in the Police Pension Plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at December 31 for debt securities, equity securities and mutual funds and contract values for insurance contracts.

Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

#### *Investment Concentrations*

There were no investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of plan net position for the Police Pension Plan. Information for IMRF is not available.

#### *Investment Rate of Return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Deposits with Financial Institutions*

The Police Pension Plan's investment policy requires that any funds deposited directly in financial institutions should be made with fully federally insured financial institutions and that any deposits in excess of FDIC insurance should be collateralized at 110% of the fair market value of the deposits. The collateral will be held in a safekeeping by a third party and evidenced by a written agreement.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)***Interest Rate Risk*

The following table presents the investments and maturities of the Police Pension Plan's debt securities as of December 31, 2015:

| Investment Type        | Fair Value         | Investment Maturities (in Years) |                    |                    |                 |
|------------------------|--------------------|----------------------------------|--------------------|--------------------|-----------------|
|                        |                    | Less than 1                      | 1-5                | 6-10               | Greater than 10 |
| U.S. Agency Securities | \$1,654,770        | \$ -                             | \$1,007,058        | \$ 647,712         | \$ -            |
| U.S. Treasuries        | 1,811,593          | -                                | 1,811,593          | -                  | -               |
| Corporate Obligations  | 976,037            | -                                | 199,086            | 776,951            | -               |
|                        | <u>\$4,442,400</u> | <u>\$ -</u>                      | <u>\$3,017,737</u> | <u>\$1,424,663</u> | <u>\$ -</u>     |

In accordance with its investment policy, the Police Pension Fund limits its exposure to interest rate risk by structuring the portfolio into an equity portion and fixed income portion to allow the fund to maximize current returns while allowing stability of the fund and providing for long-term return on investment.

*Credit Risk*

The Police Pension Fund 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 quarterly review of the returns of the equity portion of investments to address any standard deviations and by targeting 52% investment in secure fixed income investments, primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The U.S. Agency Securities are rated AA+. The Corporate Debt Securities have ratings ranging from AA- to AAA.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. The Police Pension Fund's policy requires securities to be held by a third party custodian in a custodial trust account designated by the Treasurer or authorized depository. To additionally limit its exposure, the Police Pension Fund prepares all 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 Police Pension Fund's agent separate from where the investment was purchased in the Police Pension Fund's name.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**3. RECEIVABLES**

The following receivables are included in due from other governments on the statement of net position at December 31, 2015:

|                                     |                   |
|-------------------------------------|-------------------|
| Income tax receivable               | \$ 50,462         |
| Sales and use tax receivable        | 45,716            |
| Telecommunication tax receivable    | 39,919            |
| Traffic fines receivable            | 2,741             |
| Grant receivable                    | 26,225            |
| Motor fuel tax allotment receivable | 9,499             |
|                                     | <u>174,562</u>    |
|                                     | <u>\$ 174,562</u> |

**4. PROPERTY TAXES**

Property taxes are levied in December of each year on all taxable real property in the Village and attach as an enforceable lien on the property as of the preceding January 1. Property taxes receivable represent the balance due on the 2015 levy. Tax bills are prepared by the County and issued on or about February 1 (Cook County) and May 1 (Kane, Lake and McHenry County) and are payable in two installments on or about April 1 (Cook County) and June 1 (Kane, Lake and McHenry County(ies)) and on or about August or September 1 (Kane, Lake and McHenry County(ies)). (Cook County) and the County Collector collects such taxes and remits them periodically. Since the 2015 levy is intended to finance the 2016 fiscal year, the levy has been recorded as a receivable and deferred inflow of resources.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

|   | Balances<br>January 1 | Increases          | Decreases        | Balances<br>December 31 |
|---|-----------------------|--------------------|------------------|-------------------------|
| <b>Governmental Activities</b>              |                       |                    |                  |                         |
| Capital assets not being depreciated        |                       |                    |                  |                         |
| Land  | \$ 350,349            | \$ -               | \$ -             | \$ 350,349              |
| Total capital assets not being depreciated  | <u>350,349</u>        | <u>-</u>           | <u>-</u>         | <u>350,349</u>          |
| Capital assets being depreciated            |                       |                    |                  |                         |
| Buildings and building improvements         | 2,131,642             | 72,290             | 4,440            | 2,199,492               |
| Machinery and equipment                     | 1,208,979             | 64,087             | 171,685          | 1,101,381               |
| Total capital assets being depreciated      | <u>3,340,621</u>      | <u>136,377</u>     | <u>176,125</u>   | <u>3,300,873</u>        |
| Less accumulated depreciation for           |                       |                    |                  |                         |
| Buildings and building improvements         | 1,062,612             | 64,017             | 4,218            | 1,122,411               |
| Machinery and equipment                     | 742,275               | 91,673             | 116,671          | 717,277                 |
| Total accumulated depreciation              | <u>1,804,887</u>      | <u>155,690</u>     | <u>120,889</u>   | <u>1,839,688</u>        |
| Total capital assets being depreciated, net | <u>1,535,734</u>      | <u>(19,313)</u>    | <u>55,236</u>    | <u>1,461,185</u>        |
| <b>Governmental Activities, Net</b>         | <u>\$ 1,886,083</u>   | <u>\$ (19,313)</u> | <u>\$ 55,236</u> | <u>\$ 1,811,534</u>     |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**5. CAPITAL ASSETS (Continued)**

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

| <b>Governmental Activities</b> |                          |
|--------------------------------|--------------------------|
| General Government             | \$ 80,959                |
| Public Safety                  | <u>74,731</u>            |
| <b>Total</b>                   | <u><u>\$ 155,690</u></u> |

**6. LONG-TERM DEBT**

**a. General Obligation Bonds**

On June 1, 2003, the Village issued \$3,155,000 General Obligation Bonds, Series 2003, for payment of a tort liability settlement. Principal is due annually each January 1 through January 1, 2020. Interest is payable semiannually each January 1 and July 1 at rates ranging from 2.7% to 3.8%.

General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

**b. Capital Lease Payable**

On October 1, 2013, the Village entered into a lease payable at 2.94% interest to finance the purchase of IT equipment. The lease is payable in monthly installments of principal and interest of \$2,038 and matures on October 1, 2018.

The assets acquired through capital lease are as follows:

|                               |                          |
|-------------------------------|--------------------------|
| Machinery and equipment       | \$ 154,181               |
| Less accumulated depreciation | <u>(27,622)</u>          |
| <b>Total</b>                  | <u><u>\$ 126,559</u></u> |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**6. LONG-TERM DEBT (Continued)**

**c. Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

|  | Balances<br>January 1 | Additions         | Reductions        | Balances<br>December 31 | Current<br>Portion |
|--|-----------------------|-------------------|-------------------|-------------------------|--------------------|
| <b>Governmental Activities</b>           |                       |                   |                   |                         |                    |
| General obligation<br>bonds              | \$ 1,370,000          | \$ -              | \$ 210,000        | \$ 1,160,000            | \$ 215,000         |
| Capital lease payable                    | 87,202                | -                 | 21,557            | 65,645                  | 22,379             |
| Compensated absences<br>payable          | 13,632                | 165,781           | 165,678           | 13,735                  | 2,917              |
| <b>Total Governmental<br/>Activities</b> | <b>\$ 1,470,834</b>   | <b>\$ 165,781</b> | <b>\$ 397,235</b> | <b>\$ 1,239,380</b>     | <b>\$ 240,296</b>  |

The compensated absences liability is primarily retired by the General and Public Safety Funds.

**d. Debt Service Requirements to Maturity**

The annual debt service requirements to amortize the governmental activities outstanding debt as of December 31, 2015 are as follows:

| Fiscal<br>Year | General Obligation<br>Bonds Payable |                   | Capital Leases Payable |                 |
|----------------|-------------------------------------|-------------------|------------------------|-----------------|
|                | Principal                           | Interest          | Principal              | Interest        |
| 2016           | \$ 215,000                          | \$ 38,591         | \$ 22,379              | \$ 2,077        |
| 2017           | 225,000                             | 30,889            | 23,231                 | 1,225           |
| 2018           | 230,000                             | 22,697            | 20,035                 | 345             |
| 2019           | 240,000                             | 14,000            | -                      | -               |
| 2020           | 250,000                             | 4,750             | -                      | -               |
| <b>Total</b>   | <b>\$ 1,160,000</b>                 | <b>\$ 110,927</b> | <b>\$ 65,645</b>       | <b>\$ 3,647</b> |

## VILLAGE OF BARRINGTON HILLS, ILLINOIS

Notes to Financial Statements

December 31, 2015

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### 6. LONG-TERM DEBT (Continued)

#### e. Legal Debt Margin

The Village is a home rule municipality.

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 General Assembly has set no limits for home rule municipalities.

### 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; employee health and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in the current fiscal year or the two prior fiscal years.

### 8. CONTINGENT LIABILITIES

#### a. Litigation

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

#### b. Grants

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**9. INDIVIDUAL FUND DISCLOSURES**

a. Due From/To Other Funds

Individual fund interfund receivables/payables are as follows:

| Receivable Fund   | Payable Fund  | Amount              |
|-------------------|---------------|---------------------|
| General           | Public Safety | \$ 5,977            |
| Public Safety     | General       | 1,312,409           |
| Roads and Bridges | General       | 58,555              |
| Debt Service      | General       | 101,876             |
| Total             |               | <u>\$ 1,478,817</u> |

Balances payable by the General Fund to other funds represent property tax revenue received by the General Fund and not yet remitted to the other funds as of December 31, 2015. All balances are expected to be repaid within one year.

**10. DEFINED BENEFIT PENSION PLANS**

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; and the Police Pension Plan which is a single-employer pension plan. The benefits, benefits levels, employee contributions and employer contributions for the plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The Police Pension Plan does not issue a separate report on the pension plan. IMRF does issue 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 online at [www.imrf.org](http://www.imrf.org).

a. **Illinois Municipal Retirement Fund**

*Plan Description*

Plan description. All employees (other than those covered by the Police Pension plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 2% for each year thereafter.



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at or after age 67 with 10 years of 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 (average of the highest 96 consecutive months' earnings during the last 10 years, capped at \$106,800) for credited service up to 15 years and 2% for each year thereafter. However, an employee's total pension cannot exceed 75% of their final rate of earnings. If an employee retires after 10 years of service between the ages of 62 and 67, and has less than 30 years of service credit, the pension will be reduced by 1/2% for each month that the employee is under the age of 67. If an employee retires after 10 years of service between the ages of 62 and 67, and has between 30 and 35 years of service credit, the pension will be reduced by the lesser of 1/2% for each month that the employee is under the age of 67 or 1/2% for each month of service credit less than 35 years. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes.

*Plan Membership*

At December 31, 2015, the measurement date, membership in the plan was as follows:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 18        |
| Inactive employees entitled to but not yet receiving benefits    | 16        |
| Active employees   | 7         |
| Total  | <u>41</u> |

*Contributions*

As set by statute, Village employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the Village to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's actuarially determined contribution rate for calendar year 2015 was 14.18% percent of annual covered payroll. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability/(Asset).*

The net pension liability/(asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

*Summary of Significant Accounting Policies.*

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**10. DEFINED BENEFIT PENSION PLANS (Continued)***Actuarial Assumptions*

The total pension liability for the plan was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions:

|                              |                                      |
|------------------------------|--------------------------------------|
| Actuarial cost method        | Entry Age Normal                     |
| Asset valuation method       | Market Value                         |
| <b>Actuarial assumptions</b> |                                      |
| Investment Rate of Return    | 7.50%                                |
| Price inflation              | 2.75%                                |
| Salary increases             | 3.75% to 14.50%, including inflation |

*Mortality*

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Long-Term Expected Real Rate of Return.*

The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Target Allocation | Projected Returns/Risk |                    |
|------------------------|-------------------|------------------------|--------------------|
|                        |                   | One Year Arithmetic    | Ten Year Geometric |
| Equities               | 38.0%             | 8.85%                  | 7.39%              |
| International equities | 17.0%             | 9.55%                  | 7.59%              |
| Fixed income           | 27.0%             | 3.02%                  | 3.00%              |
| Real estate            | 8.0%              | 7.20%                  | 6.00%              |
| Alternatives           | 9.0%              |                        |                    |
| Private equity         |                   | 13.15%                 | 8.15%              |
| Hedge funds            |                   | 5.55%                  | 5.25%              |
| Commodities            |                   | 4.40%                  | 2.75%              |
| Cash                   | 1.0%              | 2.25%                  | 2.25%              |
|                        | <u>100.0%</u>     |                        |                    |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

*Discount Rate*

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.50%.

*Discount Rate Sensitivity.*

The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.50% as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

|                               | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) | \$ (104,133)           | \$ (833,759)                        | \$ (1,423,297)         |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**10. DEFINED BENEFIT PENSION PLANS (Continued)***Changes in Net Pension Liability/(Asset)*

The Village's changes in net pension liability/(asset) for the plan for the calendar year ended December 31, 2015 was as follows:

|  | Total Pension<br>Liability<br>(A) | Plan Fiduciary<br>Net Position<br>(B) | Net Pension<br>Liability<br>(A) - (B) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at December 31, 2014  | \$ 5,471,903                      | \$ 6,649,559                          | \$ (1,177,656)                        |
| Changes for the year:  |                                   |                                       |                                       |
| Service Cost   | 109,073                           | -                                     | 109,073                               |
| Interest on the Total Pension Liability  | 402,650                           | -                                     | 402,650                               |
| Changes of Benefit Terms   | -                                 | -                                     | -                                     |
| Differences Between Expected and Actual<br>Experience of the Total Pension Liability | (273,403)                         | -                                     | (273,403)                             |
| Changes of Assumptions   | -                                 | -                                     | -                                     |
| Contributions - Employer   | -                                 | 41,172                                | (41,172)                              |
| Contributions - Employees  | -                                 | 44,753                                | (44,753)                              |
| Net Investment Income  | -                                 | 32,674                                | (32,674)                              |
| Benefit Payments, including Refunds<br>of Employee Contributions                     | (315,557)                         | (315,557)                             | -                                     |
| Other (Net Transfer)   | -                                 | (224,176)                             | 224,176                               |
| Net Changes  | (77,237)                          | (421,134)                             | 343,897                               |
| Balances at December 31, 2015  | \$ 5,394,666                      | \$ 6,228,425                          | \$ (833,759)                          |

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended December 31, 2015, the Village recognized pension expense of \$256,897. The Village reported deferred outflows and inflows of resources related to pension from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|--------------------------------------|----------------------------------|
| Difference between expected and actual experience                                   | \$ -                                 | \$ 182,460                       |
| Changes in assumptions  | 80,127                               | -                                |
| Net difference between projected and actual<br>earnings on pension plan investments | 412,647                              | -                                |
| Total deferred amounts related to pensions  | \$ 492,774                           | \$ 182,460                       |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>December 31 | Net Deferred<br>Outflows of<br>Resources |
|----------------------------|--|
| 2016                       | \$ 47,450                                |
| 2017                       | 65,445                                   |
| 2018                       | 107,614                                  |
| 2019                       | 89,805                                   |
| 2020                       | -  |
| Thereafter                 | -  |
| Total                      | <u>\$ 310,314</u>                        |

**b. Police Pension Plan***Plan Description*

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

As provided for in the Illinois Compiled Statutes, the Plan provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Police Pension Fund as provided for in Illinois Compiled Statutes.

*Tier 1* - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one half of the salary attached to the rank on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension 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 paid upon reaching at least the age 55, by 3% of the original pension and 3% compounded annually thereafter.

*Tier 2* - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary is initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a police shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one half the annual unadjusted percentage increase in the CPI, whichever is less.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

*Plan Membership*

At December 31, 2015, the Police Pension Plan membership consisted of:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 6         |
| Inactive employees entitled to but not yet receiving benefits    | -         |
| Active employees   | 16        |
| Total  | <u>22</u> |

*Benefits Provided*

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older 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 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary.

Employees with at least 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% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year. The Village is required to finance the Police Pension Plan.

## VILLAGE OF BARRINGTON HILLS, ILLINOIS

Notes to Financial Statements

December 31, 2015

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### 10. DEFINED BENEFIT PENSION PLANS (Continued)

#### *Contributions*

Employees are required by Illinois Compiled Statutes 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. Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The costs of administering the Police Pension Plan are financed through investment earnings. The Village is required to contribute the remaining amounts necessary to finance the Police Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended December 31, 2014, the Village's contribution was 42.6% of covered payroll.

#### *Net Pension Liability/(Asset).*

The net pension liability/(asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

#### *Summary of Significant Accounting Policies.*

The financial statements of the Police Pension Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The Village's contributions are recognized when due and a formal commitment to provide the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

The Plan's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

| Asset Class                  | Target Allocation | Long-Term Expected Rate of Return |
|------------------------------|-------------------|-----------------------------------|
| Domestic Equity              | 33.75%            |                                   |
| Large Cap                    |                   | 5.35%                             |
| Mid Cap                      |                   | 6.09%                             |
| Small Cap                    |                   | 6.56%                             |
| International Equity         | 6.75%             |                                   |
| Developed Foreign            |                   | 5.85%                             |
| Emerging Markets             |                   | 9.52%                             |
| Commodities                  | 4.50%             | 2.97%                             |
| Fixed Income                 | 52.00%            |                                   |
| Aggregate Bonds              |                   | 1.83%                             |
| Investment Grade Corporat    |                   | 2.70%                             |
| Intermediate U.S. Treasuries |                   | 2.04%                             |
| High Yield                   |                   | 4.15%                             |
| Cash                         | 3.00%             | 0.00%                             |
|                              | 100.00%           |                                   |

ILCS limit the Plan's investments in equities, mutual funds and variable annuities to 45%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Plan's target asset allocation as of December 31, 2015 are listed in the table above.

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions.

|                          |                   |
|--------------------------|-------------------|
| Actuarial Valuation Date | December 31, 2015 |
| Actuarial cost method    | Entry-age normal  |

**Actuarial Assumptions**

|                            |           |
|----------------------------|-----------|
| Inflation                  | 2.50%     |
| Salary increases           | 4% to 11% |
| Interest rate              | 6.50%     |
| Cost of living adjustments | 3.00%     |
| Asset valuation method     | Market    |



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

Mortality rates are based on the assumption study prepared by the actuary in 2016. The table combines observed experience of Illinois Police Officers with the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 6.5% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate:

|                               | 1% Decrease<br>(5.50%) | Current<br>Discount Rate<br>(6.50%) | 1% Increase<br>(7.50%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) | \$ 10,702,397          | \$ 7,981,819                        | \$ 5,752,997           |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**10. DEFINED BENEFIT PENSION PLANS (Continued)***Changes in net pension liability/(asset).*

The Village's changes in net pension liability/(asset) for the calendar year ended December 31, 2015 was as follows:

|  | Total Pension<br>Liability<br>(A) | Plan Fiduciary<br>Net Position<br>(B) | Net Pension<br>Liability<br>(A) - (B) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at December 31, 2014  | \$ 14,659,175                     | \$ 8,010,688                          | \$ 6,648,487                          |
| Changes for the year:  |                                   |                                       |                                       |
| Service Cost   | 407,335                           | -                                     | 407,335                               |
| Interest on the Total Pension Liability  | 939,478                           | -                                     | 939,478                               |
| Changes of Benefit Terms   | -                                 | -                                     | -                                     |
| Differences Between Expected and Actual<br>Experience of the Total Pension Liability | (223,176)                         | -                                     | (223,176)                             |
| Changes of Assumptions   | 1,048,198                         | -                                     | 1,048,198                             |
| Contributions - Employer   | -                                 | 693,107                               | (693,107)                             |
| Contributions - Employees  | -                                 | 154,480                               | (154,480)                             |
| Net Investment Income  | -                                 | 21,753                                | (21,753)                              |
| Benefit Payments, including Refunds<br>of Employee Contributions                     | (411,322)                         | (411,322)                             | -                                     |
| Other (Net Transfer)   | -                                 | (30,837)                              | 30,837                                |
| Net Changes  | 1,760,513                         | 427,181                               | 1,333,332                             |
| Balances at December 31, 2015  | \$ 16,419,688                     | \$ 8,437,869                          | \$ 7,981,819                          |

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*

For the year ended December 31, 2015, the Village recognized pension expense of \$895,762. The Village reported deferred outflows and inflows of resources related to pension from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|--------------------------------------|----------------------------------|
| Difference between expected and actual experience                                   | \$ -                                 | \$ 195,032                       |
| Changes in assumptions  | 916,016                              | -                                |
| Net difference between projected and actual<br>earnings on pension plan investments | 409,694                              | -                                |
| Total deferred amounts related to pensions  | \$ 1,325,710                         | \$ 195,032                       |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Financial Statements

December 31, 2015

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>December 31 | Net Deferred<br>Outflows of<br>Resources |
|----------------------------|--|
| 2016                       | \$ 206,462                               |
| 2017                       | 206,462                                  |
| 2018                       | 206,462                                  |
| 2019                       | 206,460                                  |
| 2020                       | 104,038                                  |
| Thereafter                 | <u>200,794</u>                           |
| Total                      | <u><u>\$ 1,130,678</u></u>               |

**11. OTHER POSTEMPLOYMENT BENEFITS**

The Village provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the Village are required to pay 100% of the current premium. However, no retired employees have chosen to stay in the Village's health insurance plan. Therefore, there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Village had no former employees for whom the Village was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Village has not recorded any postemployment benefit liability as of December 31, 2015.

**12. RESTATEMENTS**

Net position has been restated by (\$7,123,987), as shown below, as a result of the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension liability and related deferred outflows and deferred inflows, if any, to be reported in the financial statements.

|   |                              |
|---|------------------------------|
| Net position, January 1, 2015, as reported                  | \$ 5,871,893                 |
| Less: Prior year Police Pension net pension asset (GASB 27) | (1,653,156)                  |
| Add: IMRF net pension asset (GASB 68)                       | 1,177,656                    |
| Less: Police Pension net pension liability (GASB 68)        | <u>(6,648,487)</u>           |
| Net restatement   | <u>(7,123,987)</u>           |
| Net position, January 1, 2015, restated                     | <u><u>\$ (1,252,094)</u></u> |

## **Required Supplementary Information**

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
Schedule of Changes in the Employer's Net Pension Liability  
and Related Ratios  
Illinois Municipal Retirement Fund  
Last Two Calendar Years

|   | 2015                | 2014                  |
|---|---------------------|-----------------------|
| <b>TOTAL PENSION LIABILITY</b>  |                     |                       |
| Service cost  | \$ 109,073          | \$ 112,314            |
| Interest  | 402,650             | 372,888               |
| Changes of benefit terms  | -                   | -                     |
| Differences between expected and actual experience                                | (273,403)           | (28,799)              |
| Changes of assumptions  | -                   | 183,087               |
| Benefit payments, including refunds of member contributions                       | (315,557)           | (166,528)             |
| Net Change in Total Pension Liability   | (77,237)            | 472,962               |
| Total Pension Liability - Beginning   | 5,471,903           | 4,998,941             |
| <b>TOTAL PENSION LIABILITY - ENDING</b>   | <b>\$ 5,394,666</b> | <b>\$ 5,471,903</b>   |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                     |                       |
| Contributions - employer  | \$ 41,172           | \$ 52,164             |
| Contributions - member  | 44,753              | 44,798                |
| Net investment income   | 32,674              | 382,304               |
| Benefit payments, including refunds of member contributions                       | (315,557)           | (166,528)             |
| Administrative expense  | (224,176)           | 34,763                |
| Net Change in Plan Fiduciary Net Position   | (421,134)           | 347,501               |
| Plan Net Position - Beginning   | 6,649,559           | 6,302,058             |
| <b>PLAN NET POSITION - ENDING</b>   | <b>\$ 6,228,425</b> | <b>\$ 6,649,559</b>   |
| <b>EMPLOYER'S NET PENSION LIABILITY (ASSET)</b>                                   | <b>\$ (833,759)</b> | <b>\$ (1,177,656)</b> |
| Plan fiduciary net position<br>as a percentage of the total pension liability     | 115.46%             | 121.52%               |
| Covered-employee payroll  | \$ 994,513          | \$ 995,505            |
| Employer's net pension liability<br>as a percentage of covered - employee payroll | -83.84%             | -118.30%              |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
Schedule of Changes in the Employer's Net Pension Liability  
and Related Ratios  
Police Pension Fund  
Last Two Fiscal Years

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| <b>TOTAL PENSION LIABILITY</b>  |                      |                      |
| Service cost  | \$ 407,335           | \$ 424,764           |
| Interest  | 939,478              | 878,254              |
| Changes of benefit terms  | -                    | -                    |
| Differences between expected and actual experience                                | (223,176)            | -                    |
| Changes of assumptions  | 1,048,198            | -                    |
| Benefit payments, including refunds of member contributions                       | (411,322)            | (310,872)            |
| Net Change in Total Pension Liability   | 1,760,513            | 992,146              |
| Total Pension Liability - Beginning   | 14,659,175           | 13,667,029           |
| <b>TOTAL PENSION LIABILITY - ENDING</b>   | <b>\$ 16,419,688</b> | <b>\$ 14,659,175</b> |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                      |                      |
| Contributions - employer  | \$ 693,107           | \$ 652,863           |
| Contributions - member  | 154,480              | 175,420              |
| Contributions - other   | -                    | 50                   |
| Net investment income   | 21,753               | 375,634              |
| Benefit payments, including refunds of member contributions                       | (411,322)            | (310,872)            |
| Administrative expense  | (30,837)             | (28,485)             |
| Net Change in Plan Fiduciary Net Position   | 427,181              | 864,610              |
| Plan Net Position - Beginning   | 8,010,688            | 7,146,078            |
| <b>PLAN NET POSITION - ENDING</b>   | <b>\$ 8,437,869</b>  | <b>\$ 8,010,688</b>  |
| <b>EMPLOYER'S NET PENSION LIABILITY (ASSET)</b>                                   | <b>\$ 7,981,819</b>  | <b>\$ 6,648,487</b>  |
| Plan fiduciary net position<br>as a percentage of the total pension liability     | 51.39%               | 54.65%               |
| Covered-employee payroll  | \$ 1,568,660         | \$ 1,522,210         |
| Employer's net pension liability<br>as a percentage of covered - employee payroll | 508.83%              | 436.77%              |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Employer Contributions

Illinois Municipal Retirement Fund

Last Two Fiscal Years

| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------|-------------------------------------|--|----------------------------------|-----------------|--|
| 2014        | \$ 52,164                           | \$ 52,164  | \$ -                             | \$ 995,905      | 5.24%  |
| 2015        | 41,173                              | 41,172   | 1                                | 994,513         | 4.14%  |

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates are calculated as of December 31 of each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Aggregate entry age normal  |
| Amortization method           | Level percent of pay, closed  |
| Remaining amortization period | 28 years  |
| Asset valuation method        | 5-year smoothed market; 20% corridor  |
| Inflation                     | 3.00%   |
| Salary increases              | 4.40% - 16.00%  |
| Investment rate of return     | 7.50%   |
| Retirement age                | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.  |
| Mortality                     | RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years. |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

## Schedule of Employer Contributions

## Police Pension Fund

## Last Ten Fiscal Years

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| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------|-------------------------------------|--|----------------------------------|-----------------|--|
| 2007        | \$ 365,544                          | \$ 455,935   | \$ (90,391)                      | \$ 1,369,386    | 33.29%   |
| 2008        | 405,265                             | 753,829  | (348,564)                        | N/A             | N/A  |
| 2009        | 428,890                             | 665,578  | (236,688)                        | 1,579,973       | 42.13%   |
| 2010        | 435,946                             | 647,219  | (211,273)                        | 1,631,516       | 39.67%   |
| 2011        | 467,496                             | 856,690  | (389,194)                        | 1,659,147       | 51.63%   |
| 2012        | 512,710                             | 834,565  | (321,855)                        | 1,881,029       | 44.37%   |
| 2013        | 573,223                             | 762,171  | (188,948)                        | 1,789,031       | 42.60%   |
| 2014        | 645,634                             | 652,863  | (7,229)                          | 1,522,210       | 42.89%   |
| 2015        | 669,214                             | 693,107  | (23,893)                         | 1,568,660       | 44.18%   |

N/A - information not available

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates are calculated as of December 31 of each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Investment Returns

Police Pension Fund

Last Two Fiscal Years

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| <u>Fiscal<br/>Year</u> | <u>Annual money-weighted rate of<br/>return, net of investment expense</u> |
|------------------------|--|
| 2014                   | 5.14%  |
| 2015                   | 0.19%  |

Source: Police Pension Plan's investment manager

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## General Fund

Year Ended December 31, 2015

|  | Original<br>and Final<br>Budget | Actual                     |
|--|---------------------------------|----------------------------|
| <b>Revenues</b>                                      |                                 |                            |
| Taxes  | \$ 3,082,352                    | \$ 3,091,340               |
| Fees, permits and licenses                           | 195,600                         | 135,031                    |
| Charges for services                                 | 102,100                         | 85,485                     |
| Fines and forfeitures                                | 85,000                          | 65,445                     |
| Intergovernmental                                    | 439,000                         | 458,399                    |
| Investment income                                    | 13,000                          | 13,699                     |
| Miscellaneous  | 20,000                          | 15,649                     |
|  | <hr/>                           | <hr/>                      |
| Total Revenues                                       | 3,937,052                       | 3,865,048                  |
| <b>Expenditures</b>                                  |                                 |                            |
| Current  |                                 |                            |
| General government                                   | 2,038,732                       | 1,773,573                  |
| Public safety  | 1,585,197                       | 1,773,613                  |
| Health services                                      | 7,500                           | 9,244                      |
| Capital outlay                                       | 197,800                         | 178,840                    |
|  | <hr/>                           | <hr/>                      |
| Total Expenditures                                   | 3,829,229                       | 3,735,270                  |
| Excess (Deficiency) of Revenues<br>over Expenditures | 107,823                         | 129,778                    |
| <b>Other Financing Sources (Uses)</b>                |                                 |                            |
| Sale of capital assets                               | 10,000                          | 26,950                     |
|  | <hr/>                           | <hr/>                      |
| Total other financing sources (uses)                 | 10,000                          | 26,950                     |
| Net Change in Fund Balance                           | <u>\$ 117,823</u>               | 156,728                    |
| Fund Balance, Beginning of Year                      |                                 | <hr/> 1,954,375            |
| <b>Fund Balance, End of Year</b>                     |                                 | <u><u>\$ 2,111,103</u></u> |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Public Safety Fund

Year Ended December 31, 2015

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|                         | Original<br>and Final<br>Budget | Actual       |
|-------------------------|---------------------------------|--------------|
| <b>Revenues</b>         |                                 |              |
| Property taxes          | \$ 2,286,353                    | \$ 2,305,819 |
| VOIP surcharges         | 13,000                          | 12,514       |
| Wireline surcharges     | 29,000                          | 19,590       |
| Wireless surcharges     | 15,000                          | 16,656       |
| Special detail          | 5,000                           | 5,285        |
| Drug/gang/DUI fund      | 4,000                           | 3,538        |
| Interest income         | 75                              | 77           |
| Other                   | 500                             | 28,129       |
|                         | <hr/>                           | <hr/>        |
| Total Revenues          | 2,352,928                       | 2,391,608    |
| <b>Expenditures</b>     |                                 |              |
| Current                 |                                 |              |
| Crossing guard          |                                 |              |
| Regular salaries        | 2,400                           | 2,400        |
| <hr/>                   |                                 |              |
| Police protection       |                                 |              |
| Regular salaries        | 2,151,203                       | 2,226,858    |
| Overtime                | 96,000                          | 103,111      |
| Longevity awards        | 28,250                          | 28,250       |
| Education benefits      | 14,000                          | -            |
| <hr/>                   |                                 |              |
| Total police protection | 2,289,453                       | 2,358,219    |
| <hr/>                   |                                 |              |
| Emergency 911           |                                 |              |
| Phone line charges      | 11,000                          | 9,957        |
| Equipment maintenance   | 17,500                          | 10,956       |
| Equipment purchase      | 30,000                          | -            |
| Miscellaneous           | 3,200                           | 9,251        |
| <hr/>                   |                                 |              |
| Total emergency 911     | 61,700                          | 30,164       |
| <hr/>                   |                                 |              |
| Drug/Gang/DUI           | 12,000                          | 11,164       |
| <hr/>                   |                                 |              |

(Continued)

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

Public Safety Fund

Year Ended December 31, 2015

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|                                  | Original<br>and Final<br>Budget | Actual                          |
|----------------------------------|---------------------------------|---------------------------------|
| Debt service                     |                                 |                                 |
| Principal                        | \$ 21,557                       | \$ 21,557                       |
| Interest                         | 2,943                           | 2,899                           |
|                                  | <hr/>                           | <hr/>                           |
| Total debt service               | 24,500                          | 24,456                          |
|                                  | <hr/>                           | <hr/>                           |
| Total Expenditures               | 2,390,053                       | 2,426,403                       |
|                                  | <hr/>                           | <hr/>                           |
| Net Change in Fund Balance       | <u>\$ (37,125)</u>              | (34,795)                        |
| Fund Balance, Beginning of Year  |                                 | <hr/> 1,441,283                 |
| <b>Fund Balance, End of Year</b> |                                 | <hr/> <b>\$ 1,406,488</b> <hr/> |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Road and Bridges Fund

Year Ended December 31, 2015

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|                                  | Original<br>and Final<br>Budget | Actual                   |
|----------------------------------|---------------------------------|--------------------------|
| <b>Revenues</b>                  |                                 |                          |
| Property taxes                   | \$ 1,564,000                    | \$ 1,509,132             |
| Road and bridge taxes            | 85,848                          | 86,984                   |
| Motor fuel tax interest          | 25                              | 36                       |
| Federal grant revenue            | -                               | 58,843                   |
| Motor fuel tax allotments        | 102,475                         | 102,899                  |
| Miscellaneous                    | 52,800                          | 25,241                   |
|                                  | <hr/>                           | <hr/>                    |
| Total Revenues                   | 1,805,148                       | 1,783,135                |
| <b>Expenditures</b>              |                                 |                          |
| Current                          |                                 |                          |
| Road maintenance                 | 986,846                         | 1,046,800                |
| Snow plowing                     | 260,000                         | 212,701                  |
| Mowing                           | 35,000                          | 66,768                   |
| Sign purchase and installation   | 14,000                          | 8,413                    |
| Drainage management              | 120,000                         | 106,628                  |
| Engineering fees                 | 180,000                         | 176,769                  |
| Road striping                    | 1,000                           | 642                      |
| Equipment purchases              | 2,000                           | -                        |
| Equipment maintenance            | 4,000                           | 314                      |
| Road patching                    | 15,000                          | 29,883                   |
| Bridge inspections               | 8,000                           | 18,031                   |
| Motor fuel expenses              | 100,000                         | 100,000                  |
| Cuba Road bridge                 | 160,000                         | 124,451                  |
|                                  | <hr/>                           | <hr/>                    |
| Total Expenditures               | 1,885,846                       | 1,891,400                |
| Net Change in Fund Balance       | <u>\$ (80,698)</u>              | (108,265)                |
| Fund Balance, Beginning of Year  |                                 | <hr/> 98,452             |
| <b>Fund Balance, End of Year</b> |                                 | <u><u>\$ (9,813)</u></u> |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Notes to Required Supplementary Information

December 31, 2015

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**BUDGETS**

Annual operating budgets are adopted for all governmental funds. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual budgets lapse at fiscal year-end unless specifically carried over.

Actual expenditures in the Public Safety Fund exceeded budget by \$36,350 but was within the legal appropriation ordinance by \$1,347,597.

Actual expenditures in the Roads and Bridges Fund exceeded budget by \$5,554 but was within the legal appropriation ordinance by \$340,600.

## **Supplementary Information**

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
Detailed Schedule of Revenues - Budget and Actual  
General Fund  
Year Ended December 31, 2015

|   | Original<br>and Final<br>Budget | Actual           |
|---|---------------------------------|------------------|
| <b>Revenues</b>                         |                                 |                  |
| Taxes                                   |                                 |                  |
| Property                                | \$ 2,344,352                    | \$ 2,447,309     |
| Sales and use                           | 115,000                         | 141,841          |
| Replacement                             | 43,000                          | 40,239           |
| Utility                                 | 580,000                         | 461,951          |
| <b>Total taxes</b>                      | <b>3,082,352</b>                | <b>3,091,340</b> |
| Fees, permits and licenses              |                                 |                  |
| Building permits                        | 110,000                         | 59,616           |
| Liquor and scavenger licenses           | 1,200                           | 1,335            |
| Vehicle stickers                        | 32,700                          | 30,160           |
| Security link system fees               | 8,200                           | 8,140            |
| Zoning and petition fees                | 1,500                           | 3,400            |
| Overweight permit fees                  | 42,000                          | 32,380           |
| <b>Total fees, permits and licenses</b> | <b>195,600</b>                  | <b>135,031</b>   |
| Charges for services                    |                                 |                  |
| Police accident reports                 | 1,800                           | 1,369            |
| Copy fees                               | 250                             | 254              |
| Franchise fees                          | 95,000                          | 79,063           |
| Rental income                           | 3,000                           | 2,749            |
| Insurance reimbursements                | 2,050                           | 2,050            |
| <b>Total charges for services</b>       | <b>102,100</b>                  | <b>85,485</b>    |
| Fines and forfeitures                   |                                 |                  |
| Traffic fines - Cook County             | 31,000                          | 29,482           |
| Supervision fees                        | 3,500                           | 2,860            |
| Police "C" tickets                      | 50,000                          | 33,103           |
| Forfeited drug revenue                  | 500                             | -                |
| <b>Total fines and forfeitures</b>      | <b>85,000</b>                   | <b>65,445</b>    |
| Intergovernmental                       |                                 |                  |
| State income tax                        | 430,000                         | 447,851          |
| Grant revenue - public safety equipment | 9,000                           | 10,548           |
| <b>Total intergovernmental</b>          | <b>439,000</b>                  | <b>458,399</b>   |

(Continued)



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Detailed Schedule of Revenues - Budget and Actual (Continued)

General Fund

Year Ended December 31, 2015

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|                                | Original<br>and Final<br>Budget | Actual              |
|--------------------------------|---------------------------------|---------------------|
| <b>Revenues (Continued)</b>    |                                 |                     |
| Investment income              | \$ 13,000                       | \$ 13,699           |
| Miscellaneous revenue          |                                 |                     |
| Police training reimbursements |                                 |                     |
| Animal services reimbursements | 3,000                           | 1,922               |
| Contributions/donations        | 5,000                           | 5,350               |
| Other                          | 12,000                          | 8,377               |
| Total miscellaneous revenue    | 20,000                          | 15,649              |
| <b>Total Revenues</b>          | <b>\$ 3,937,052</b>             | <b>\$ 3,865,048</b> |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Expenditures - Budget and Actual

General Fund

Year Ended December 31, 2015

---

|                                 | Original<br>and Final<br>Budget | Actual              |
|---------------------------------|---------------------------------|---------------------|
| <b>General Government</b>       |                                 |                     |
| Administration                  | \$ 512,857                      | \$ 462,177          |
| Building department             | 160,600                         | 170,302             |
| Insurance and risk              | 670,075                         | 559,576             |
| Legal                           | 507,500                         | 410,377             |
| Municipal building and grounds  | 126,500                         | 134,140             |
| Zoning and planning development | 61,200                          | 37,001              |
|                                 | <hr/>                           | <hr/>               |
| Total general government        | 2,038,732                       | 1,773,573           |
|                                 | <hr/>                           | <hr/>               |
| <b>Public Safety</b>            |                                 |                     |
| Police department               | 1,585,197                       | 1,773,613           |
|                                 | <hr/>                           | <hr/>               |
| <b>Health Services</b>          | 7,500                           | 9,244               |
|                                 | <hr/>                           | <hr/>               |
| <b>Capital Outlay</b>           | 197,800                         | 178,840             |
|                                 | <hr/>                           | <hr/>               |
| <b>Total Expenditures</b>       | <b>\$ 3,829,229</b>             | <b>\$ 3,735,270</b> |
|                                 | <hr/>                           | <hr/>               |

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**  
Detailed Schedule of Expenditures - Budget and Actual  
General Fund  
Year Ended December 31, 2015

|  | Original<br>and Final<br>Budget | Actual         | Variance      |
|--|---------------------------------|----------------|---------------|
| <b>General Government</b>              |                                 |                |               |
| Administration                         |                                 |                |               |
| Salaries                               | \$ 201,331                      | \$ 177,716     | \$ 23,615     |
| Social Security                        | 31,500                          | 29,567         | 1,933         |
| IMRF                                   | 17,500                          | 14,411         | 3,089         |
| Unemployment taxes                     | 2,800                           | 2,067          | 733           |
| Office/computer supplies               | 4,500                           | 6,230          | (1,730)       |
| Rental of office equipment             | 2,750                           | 3,156          | (406)         |
| Telephones and fees                    | 8,000                           | 9,380          | (1,380)       |
| Vehicle stickers                       | 2,100                           | 1,961          | 139           |
| Barrington Area Council of Governments | 25,625                          | 25,713         | (88)          |
| Audit                                  | 20,950                          | 21,275         | (325)         |
| Hardware/software                      | 3,500                           | 2,756          | 744           |
| Finance consulting                     | 550                             | 2,800          | (2,250)       |
| Dues and subscriptions                 | 11,000                          | 8,139          | 2,861         |
| Tuition and travel                     | 8,000                           | 4,697          | 3,303         |
| Newsletter and website                 | 12,300                          | 8,123          | 4,177         |
| Vehicle                                | 3,500                           | 1,248          | 2,252         |
| Postage                                | 3,500                           | 2,833          | 667           |
| Clerical services                      | 21,000                          | 23,246         | (2,246)       |
| Communications committee               | 500                             | -              | 500           |
| Messenger service                      | 700                             | 127            | 573           |
| Payroll                                | 3,600                           | 3,506          | 94            |
| Broadband data                         | 12,000                          | 13,794         | (1,794)       |
| Web services                           | 4,000                           | 3,823          | 177           |
| Merchant fees                          | 25                              | 317            | (292)         |
| Special events                         | 5,000                           | 6,532          | (1,532)       |
| Other/meetings expenditures            | 8,000                           | 6,169          | 1,831         |
| Village Treasurer                      | 62,288                          | 52,519         | 9,769         |
| Computer Accessories                   | 250                             | -              | 250           |
| Telephone Lease/Purchase               | 2,500                           | 777            | 1,723         |
| Director of Communications             | 32,588                          | 29,248         | 3,340         |
| Overtime                               | 1,000                           | 47             | 953           |
| <b>Total administration</b>            | <b>512,857</b>                  | <b>462,177</b> | <b>50,680</b> |
| Building department                    |                                 |                |               |
| Salaries                               | 75,000                          | 61,521         | 13,479        |
| Outside services                       | 49,500                          | 68,396         | (18,896)      |
| Printing and office supplies           | 1,000                           | 901            | 99            |
| Automobile expenditures                | 100                             | -              | 100           |
| Plumbing inspections                   | 22,000                          | 19,698         | 2,302         |
| Records management                     | 5,000                           | 13,557         | (8,557)       |
| Surveying services                     | 3,000                           | 2,058          | 942           |

(Continued)

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

## Detailed Schedule of Expenditures - Budget and Actual (Continued)

General Fund

Year Ended December 31, 2015

|                                       | Original<br>and Final<br>Budget | Actual         | Variance       |
|---------------------------------------|---------------------------------|----------------|----------------|
| <b>General Government (Continued)</b> |                                 |                |                |
| Building department (continued)       |                                 |                |                |
| Office expenditures                   | \$ 4,000                        | \$ 2,710       | \$ 1,290       |
| Overtime                              | 1,000                           | 1,461          | (461)          |
| <b>Total building department</b>      | <b>160,600</b>                  | <b>170,302</b> | <b>(9,702)</b> |
| Insurance and risk                    |                                 |                |                |
| Workers' compensation insurance       | 108,149                         | 105,999        | 2,150          |
| Employee medical and life             | 650,000                         | 516,401        | 133,599        |
| Wellness program                      | 2,400                           | 2,400          | -              |
| Employee dental plan                  | 63,115                          | 51,397         | 11,718         |
| Vehicle/physical damage               | 5,676                           | 6,969          | (1,293)        |
| Surety bonds                          | 2,500                           | 2,980          | (480)          |
| Long-term disability                  | 20,000                          | 18,144         | 1,856          |
| Property/inland marine                | 3,305                           | 3,305          | -              |
| Asset inventory                       | 12,358                          | 7,441          | 4,917          |
| General liability insurance           | 13,413                          | 13,413         | -              |
| Vehicle liability insurance           | 18,281                          | 18,281         | -              |
| Employment practice liability         | 5,733                           | 5,592          | 141            |
| Law enforcement insurance             | 14,556                          | 14,556         | -              |
| Public officials insurance            | 2,812                           | 2,812          | -              |
| Excess liability insurance            | 40,282                          | 40,423         | (141)          |
| Deductible payments                   | 5,000                           | 12,329         | (7,329)        |
| Inland Marine/Computer Equipment      | 1,555                           | 1,555          | -              |
| Property - Fire Station               | 2,050                           | 2,050          | -              |
| Deductible Payments                   | 15,000                          | -              | 15,000         |
| VSP Expenses                          | 44,700                          | 34,839         | 9,861          |
| Public safety portion                 | (360,810)                       | (301,310)      | (59,500)       |
| <b>Total insurance and risk</b>       | <b>670,075</b>                  | <b>559,576</b> | <b>110,499</b> |
| Legal                                 |                                 |                |                |
| Village attorney                      | 140,000                         | 117,608        | \$ 22,392      |
| Court attorney                        | 65,000                          | 65,000         | -              |
| Other legal fees                      | 40,000                          | 14,433         | 25,567         |
| Litigation expenses                   | 100,000                         | 33,953         | 66,047         |
| Publications                          | 2,500                           | 1,774          | 726            |
| Expert witnesses                      | 8,000                           | 116            | 7,884          |
| Court reporters                       | 7,000                           | 6,440          | 560            |
| Labor relations                       | 60,000                          | 43,998         | 16,002         |
| FOIA records management               | 50,000                          | 96,188         | (46,188)       |
| Planning/zoning                       | 35,000                          | 30,867         | 4,133          |
| <b>Total legal</b>                    | <b>507,500</b>                  | <b>410,377</b> | <b>97,123</b>  |

(Continued)

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

## Detailed Schedule of Expenditures - Budget and Actual (Continued)

General Fund

Year Ended December 31, 2015

|                                       | Original<br>and Final<br>Budget | Actual    | Variance |
|---------------------------------------|---------------------------------|-----------|----------|
| <b>General Government (Continued)</b> |                                 |           |          |
| Municipal building and grounds        |                                 |           |          |
| Interior building and maintenance     | \$ 36,500                       | \$ 26,995 | \$ 9,505 |
| Exterior building and maintenance     | 20,000                          | 21,734    | (1,734)  |
| Grounds maintenance                   | 8,000                           | 14,020    | (6,020)  |
| Contractual services                  | 5,000                           | 2,505     | 2,495    |
| Parking lot maintenance               | 4,000                           | 6,126     | (2,126)  |
| Taxes                                 | 4,000                           | 4,290     | (290)    |
| Landscape restoration work            | 27,000                          | 33,939    | (6,939)  |
| Landscape irrigation                  | 1,500                           | 431       | 1,069    |
| Snow removal                          | 15,000                          | 15,233    | (233)    |
| Street lighting                       | 3,000                           | 2,565     | 435      |
| Fire Station Maintenance              | 2,500                           | 6,302     | (3,802)  |
| Total municipal building and grounds  | 126,500                         | 134,140   | (7,640)  |
| Zoning and planning department        |                                 |           |          |
| Minutes and transcripts               | 8,000                           | 8,863     | (863)    |
| Supplies/maps/printing                | 38,000                          | 22,570    | 15,430   |
| Engineering services                  | 5,000                           | 4,531     | 469      |
| Subdivision review costs              | 5,000                           | -         | 5,000    |
| Equestrian Commission                 | 100                             | 457       | (357)    |
| Development Commission                | 100                             | -         | 100      |
| Professional services                 | 5,000                           | 580       | 4,420    |
| Total zoning and planning department  | 61,200                          | 37,001    | 24,199   |
| Total general government              | 2,038,732                       | 1,773,573 | 265,160  |
| <b>Public Safety</b>                  |                                 |           |          |
| Police department                     |                                 |           |          |
| Social security                       | 178,500                         | 167,548   | 10,952   |
| IMRF                                  | 32,500                          | 26,762    | 5,738    |
| Gasoline                              | 98,000                          | 43,138    | 54,862   |
| Squad car repairs                     | 26,000                          | 19,413    | 6,587    |
| Tires                                 | 3,000                           | 2,629     | 371      |
| Telephone                             | 18,500                          | 19,104    | (604)    |
| UHF network                           | 22,000                          | 25,838    | (3,838)  |
| Radio maintenance                     | 12,500                          | 9,022     | 3,478    |
| Re-install radios                     | 4,200                           | 4,191     | 9        |
| Nextel contract                       | 6,750                           | 6,268     | 482      |
| Radar repairs                         | 500                             | 480       | 20       |
| Security maintenance                  | 9,000                           | 2,354     | 6,646    |
| Jail service contract                 | 750                             | 110       | 640      |
| Membership and dues                   | 12,900                          | 9,812     | 3,088    |

(Continued)

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Detailed Schedule of Expenditures - Budget and Actual (Continued)

General Fund

Year Ended December 31, 2015

|  | Original<br>and Final<br>Budget | Actual              | Variance         |
|--|---------------------------------|---------------------|------------------|
| <b>Public Safety (Continued)</b>       |                                 |                     |                  |
| Police department (continued)          |                                 |                     |                  |
| Uniforms                               | \$ 11,000                       | \$ 10,877           | \$ 123           |
| I.T. consultant                        | 35,000                          | 29,933              | 5,067            |
| Marking vehicles                       | 1,200                           | 1,350               | (150)            |
| Training and travel                    | 17,400                          | 15,021              | 2,379            |
| Shooting program and armory            | 7,000                           | 6,525               | 475              |
| Purchase of vehicular accessories      | 4,500                           | 4,253               | 247              |
| Employee recognition awards            | 1,200                           | 1,089               | 111              |
| Office expenditures                    | 7,900                           | 11,243              | (3,343)          |
| Office supplies                        | 5,500                           | 4,762               | 738              |
| Other expenses                         | 10,000                          | 7,935               | 2,065            |
| Towing                                 | 750                             | 185                 | 565              |
| Recruitment                            | 3,000                           | -                   | 3,000            |
| Professional service/consulting        | 5,000                           | -                   | 5,000            |
| Drug education                         | 1,000                           | 961                 | 39               |
| Disaster and emergency services        | 5,500                           | 3,574               | 1,926            |
| CALEA expenditures                     | 8,000                           | 7,592               | 408              |
| Live-scan monthly fees                 | 5,123                           | 4,983               | 140              |
| Restitution exchange and bond transfer | 1,000                           | 150                 | 850              |
| Insurance                              | 360,810                         | 301,310             | 59,500           |
| Dispatch Consolidation Expense         | -                               | 332,094             | (332,094)        |
| Pension contribution                   | 669,214                         | 693,107             | (23,893)         |
| Total public safety                    | 1,585,197                       | 1,773,613           | (188,417)        |
| <b>Health Services</b>                 |                                 |                     |                  |
| Miscellaneous                          | 5,000                           | 9,244               | (4,244)          |
| Potable Water                          | 2,500                           | -                   | 2,500            |
| Total health services                  | 7,500                           | 9,244               | (1,744)          |
| <b>Capital Outlay</b>                  | 197,800                         | 178,840             | 18,960           |
| <b>Total Expenditures</b>              | <b>\$ 3,829,229</b>             | <b>\$ 3,735,270</b> | <b>\$ 93,959</b> |

(Concluded)

**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Debt Service Fund

Year Ended December 31, 2015

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|                                  | Original<br>and Final<br>Budget | Actual                   |
|----------------------------------|---------------------------------|--------------------------|
| <b>Revenues</b>                  |                                 |                          |
| Property Taxes                   | \$ 257,300                      | \$ 260,848               |
| Total Revenues                   | <u>257,300</u>                  | <u>260,848</u>           |
| <b>Expenditures</b>              |                                 |                          |
| Debt Service                     |                                 |                          |
| Principal retirement             | 236,150                         | 215,000                  |
| Interest and fiscal charges      | <u>21,150</u>                   | <u>42,300</u>            |
| Total Expenditures               | <u>257,300</u>                  | <u>257,300</u>           |
| Net Change in Fund Balance       | <u>\$ -</u>                     | 3,548                    |
| Fund Balance, Beginning of Year  |                                 | <u>99,378</u>            |
| <b>Fund Balance, End of Year</b> |                                 | <u><u>\$ 102,926</u></u> |

## **Other Information**



**VILLAGE OF BARRINGTON HILLS, ILLINOIS**

Property Tax, Assessed Valuations, Rates, Tax Extensions and Collections

Tax Year 2014

December 31, 2015

| <b>County</b>                            | <b>Cook</b>           |                     | <b>McHenry</b>        |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|
| <b>Assessed Valuation</b>                | <u>\$ 215,996,072</u> |                     | <u>\$ 103,730,836</u> |                     |
|  | <b>Rate</b>           | <b>Amount</b>       | <b>Rate</b>           | <b>Amount</b>       |
| <b>Funds</b>                             |                       |                     |                       |                     |
| General                                  | 0.3571                | \$ 771,318          | 0.2864                | \$ 297,049          |
| Police protection                        | 0.6351                | 1,371,726           | 0.5093                | 528,279             |
| Police pension                           | 0.1861                | 401,925             | 0.1492                | 154,789             |
| Social security                          | 0.0584                | 126,125             | 0.0468                | 48,573              |
| Audit                                    | 0.0070                | 15,015              | 0.0056                | 5,782               |
| Streets and bridge                       | 0.4349                | 939,327             | 0.3487                | 361,753             |
| Street lighting                          | 0.0008                | 1,802               | 0.0007                | 694                 |
| Crossing guard                           | 0.0007                | 1,441               | 0.0005                | 555                 |
| Unemployment insurance                   | 0.0008                | 1,682               | 0.0006                | 647                 |
| Liability insurance                      | 0.0278                | 60,105              | 0.0223                | 23,148              |
| IMRF                                     | 0.0139                | 30,030              | 0.0111                | 11,565              |
| Prior year adjustment                    | -                     | -                   | 0.0639                | 66,308              |
| Bond and interest                        | 0.0729                | 157,533             | 0.0574                | 59,513              |
| <b>Total</b>                             | <u>1.7955</u>         | <u>\$ 3,878,029</u> | <u>1.5026</u>         | <u>\$ 1,558,655</u> |
| <b>Tax Collections</b>                   |                       |                     |                       |                     |
| Cash collected through December 31, 2015 |                       | \$ 3,819,325        |                       | \$ 1,554,886        |
| Receivable at December 31, 2015          |                       | <u>26,045</u>       |                       | <u>-</u>            |
| <b>Total Tax Collections</b>             |                       | <u>\$ 3,845,370</u> |                       | <u>\$ 1,554,886</u> |
| <b>Percent Collected</b>                 |                       | 99.16%              |                       | 99.76%              |

Note: The Illinois Department of Revenue is required by law to calculate an equalization factor, known as the multiplier, to achieve uniform property assessment throughout the state. The final 2014 equalization factor for Cook County was 2.7253, which is used to bring the average level of assessment to the required 33 1/3% level mandated by state law.

| <b>Lake</b>          |                     | <b>Kane</b>         |                   | <b>Total</b>          |                     |
|----------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|
| <u>\$ 77,392,784</u> |                     | <u>\$ 9,190,760</u> |                   | <u>\$ 406,310,452</u> |                     |
| <b>Rate</b>          | <b>Amount</b>       | <b>Rate</b>         | <b>Amount</b>     | <b>Rate</b>           | <b>Amount</b>       |
| 0.2724               | \$ 210,802          | 0.2767              | \$ 25,428         | 1.1926                | \$ 1,304,597        |
| 0.4843               | 374,807             | 0.4920              | 45,222            | 2.1207                | 2,320,034           |
| 0.1425               | 110,323             | 0.1442              | 13,250            | 0.6220                | 680,287             |
| 0.0444               | 34,328              | 0.0452              | 4,158             | 0.1948                | 213,184             |
| 0.0054               | 4,181               | 0.0054              | 495               | 0.0234                | 25,473              |
| 0.3338               | 258,359             | 0.3369              | 30,967            | 1.4544                | 1,590,406           |
| 0.0006               | 502                 | 0.0006              | 59                | 0.0028                | 3,057               |
| 0.0005               | 402                 | 0.0005              | 48                | 0.0023                | 2,446               |
| -                    | -                   | 0.0006              | 55                | 0.0020                | 2,384               |
| 0.0216               | 16,734              | 0.0216              | 1,982             | 0.0933                | 101,969             |
| 0.0098               | 7,575               | 0.0108              | 990               | 0.0456                | 50,160              |
| -                    | -                   | 0.1664              | 15,291            | 0.2303                | 81,599              |
| 0.0551               | 42,666              | 0.0560              | 5,146             | 0.2414                | 264,858             |
| <u>1.3705</u>        | <u>\$ 1,060,679</u> | <u>1.5569</u>       | <u>\$ 143,091</u> | <u>6.2255</u>         | <u>\$ 6,640,454</u> |
|                      | <u>\$ 1,053,445</u> |                     | <u>\$ 142,630</u> |                       | <u>\$ 6,570,286</u> |
|                      | <u>-</u>            |                     | <u>-</u>          |                       | <u>26,045</u>       |
|                      | <u>\$ 1,053,445</u> |                     | <u>\$ 142,630</u> |                       | <u>\$ 6,596,331</u> |
|                      | 99.32%              |                     | 99.68%            |                       | 99.34%              |

# **Village of Barrington Hills**

Required Communication Letters

Year Ended December 31, 2015

## Table of Contents

1. Communication with Those Charged with Governance
2. Management Letter



3957 75<sup>th</sup> Street, Aurora, IL 60504  
Phone 630.898.5578 | Fax 630.225.5128  
KleinHallcpa.com

## Communication with Those Charged with Governance

June 27, 2016

The Honorable President  
Members of the Board of Trustees  
Village of Barrington Hills  
112 Algonquin Road  
Barrington Hill, Illinois, 60010

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Barrington Hills for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 30, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Village of Barrington Hills are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the Village of Barrington Hills changed accounting policies related to Employee Retirement Systems by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Report for Pensions*, for the current year. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by Village of Barrington Hills during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no particularly sensitive estimates made by management.

The financial statement disclosures are neutral, consistent, and clear.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: additional accounts payable accruals, property tax receivable for police pension, revenue reclassifications.

## **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 27, 2016.

## **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Village of Barrington Hills' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Village of Barrington Hills' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

We applied certain limited procedures to [Identify RSI], which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the

United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information as listed in the table of contents, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information is intended solely for the use of the members of the board of trustees and management of The Village of Barrington Hills and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Klein Hall CPAs". The signature is written in a light grey or blue ink.

Klein, Hall CPAs  
Aurora, Illinois

**Village of Barrington Hills**

**Year End: December 31, 2015**

**Uncorrected Misstatements**

**Date: 1/1/2015 To 12/31/2015**

| <b>Number</b>  | <b>Date</b> | <b>Name</b>                   | <b>Account No</b> | <b>Debit</b>    | <b>Credit</b>    |
|--|-------------|-------------------------------|-------------------|-----------------|------------------|
| PAJE1  | 12/31/2015  | ACCOUNTS PAYABLES             | 10-00-20500 10-GF |                 | -4,395.00        |
| PAJE1  | 12/31/2015  | PERSONAL PROP REPLACEMENT TAX | 10-00-41200 10-GF | 4,395.00        |                  |
| To record overpayment of PPRT by<br>the state (immaterial to the financial statements) |             |                               |                   |                 |                  |
|  |             |                               |                   | <b>4,395.00</b> | <b>-4,395.00</b> |





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## Management Letter

Board of Trustees  
Village of Barrington Hills  
Barrington Hills, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Barrington Hills (the Village) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Additionally, we wish to make the following recommendations for improvement:

### Journal Entry Review

Manual journal entries posted by management are not currently reviewed by anyone else besides the person posting the entry. We recommend that an individual be designated to review journal entries and supporting documentation and evidence their approval.

### Positive Attributes

Although the general purpose of this letter is to cover only matters needing consideration, we believe it is also important to point out that there are many positive attributes of the Village's financial management systems, which are not specifically covered herein.

We would like to take this opportunity to thank the Village and their personnel for the cooperation and courtesies extended to us during our audit.

Board of Trustees  
Village of Barrington Hills

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This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Village, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Klein Hall CPAs*

Klein, Hall CPAs  
Aurora, Illinois  
June 27, 2016