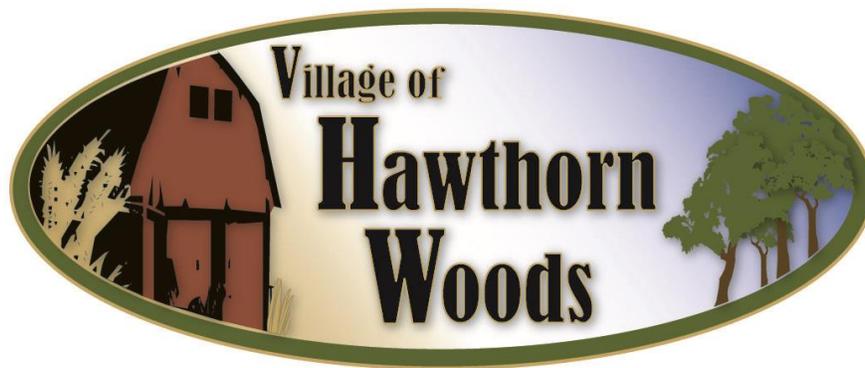


**VILLAGE OF  
HAWTHORN WOODS, ILLINOIS**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Year Ended  
December 31, 2015

Prepared By

The Finance Department

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
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## **INTRODUCTORY SECTION**

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

December 31, 2015

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**VILLAGE OF BOARD TRUSTEES**

Joseph Mancino, Mayor

Kelly Corrigan

Michael David

Dominick DiMaggio

Neil Morgan

Peter Ponzio

Steve Riess

Chief Operating Officer  
Pamela O. Newton, MSOL

Chief Administrative Officer/Village Clerk  
Donna Lobaito

Chief Financial Officer/Human Resources Director  
Kristin N. Kazenas, CPA, MBA, CPFO

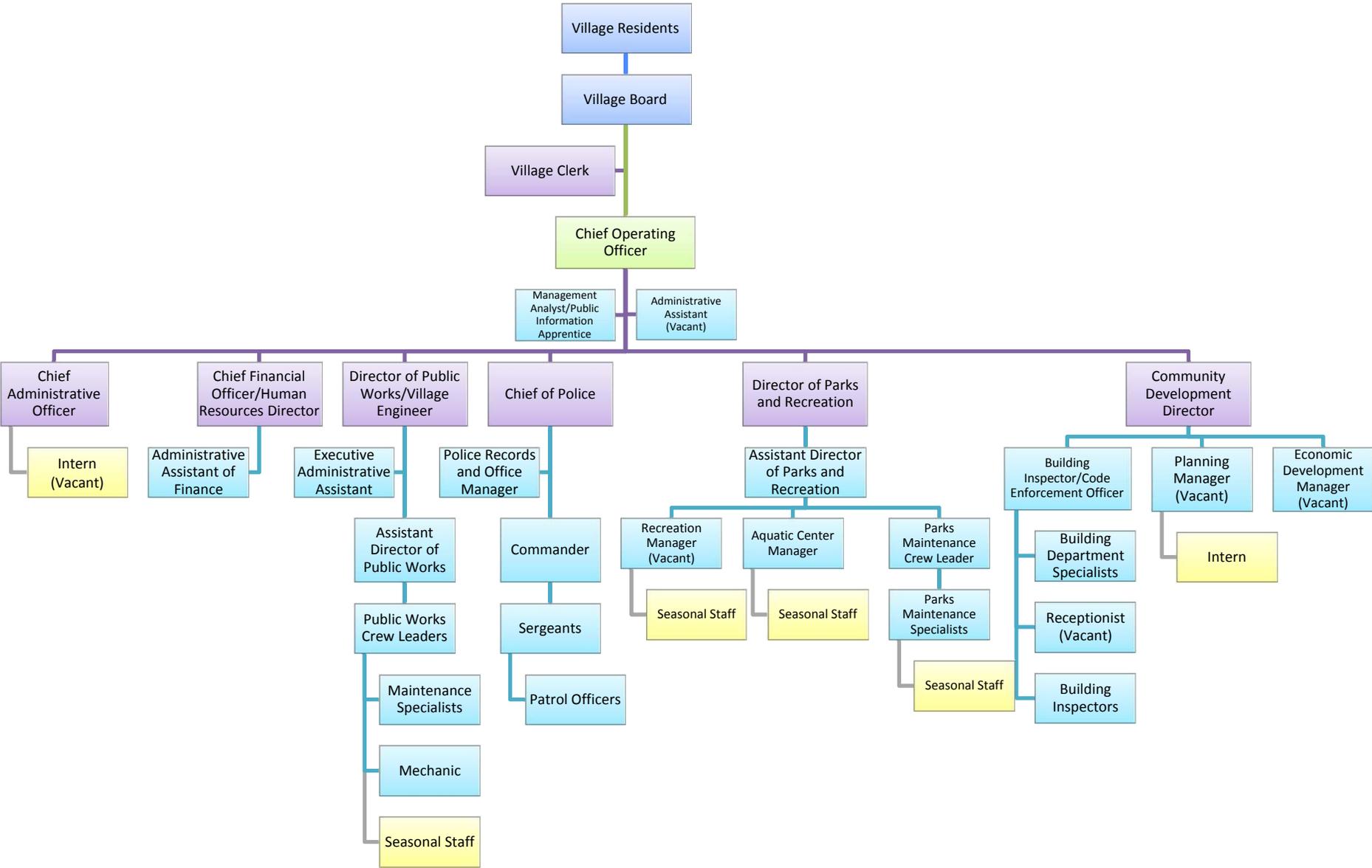
Chief of Police  
Jennifer Paulus

Director of Public Works/Village Engineer  
Erika Frable, PE

Director of Parks and Recreation  
Brian J. Sullivan, CPRP, MPA, CPSI

Director of Community Development  
Michael Cassata, AICP

# Village of Hawthorn Woods – Organizational Chart





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

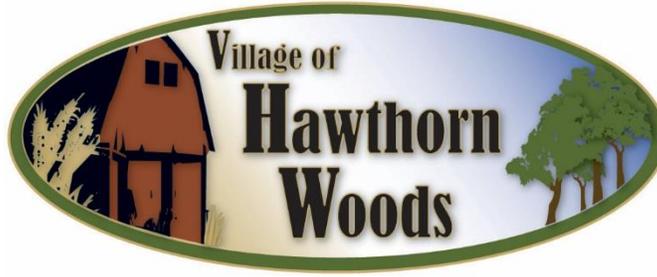
Presented to

**Village of Hawthorn Woods**  
**Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



2 LAGOON DRIVE - HAWTHORN WOODS, ILLINOIS 60047 - (847) 438-5500 FAX 847-438-1459

May 18, 2016

To the Honorable Mayor, Members of the Village Board, and Citizens of the Village of Hawthorn Woods, Illinois:

The annual report for the Village of Hawthorn Woods, Illinois, for the year ended December 31, 2015 is hereby submitted. The submittal of this report meets the State of Illinois requirement for all general-purpose local governments to publish, within six months of the closing of the fiscal year, a complete set of audited financial statements presented in conformity with generally accepted auditing standards.

Responsibility for the accuracy of the data in this report and completeness of its presentation lies solely with the Village of Hawthorn Woods' management. The Village has established internal controls that are designed to protect the municipality's assets from loss, theft and misuse and to compile total and reliable information. As the cost of internal control should not exceed its benefits, the controls in place have been designed to provide reasonable, rather than absolute assurance, that the financial statements presented are free from material misstatements. To the best of our knowledge, this financial report is accurate and complete in all material aspects and fairly reflects the Village's financial position and changes in financial position of the various funds of the Village and the Village as a whole.

We are pleased to report that independent audit firm Sikich LLP has issued an unmodified opinion on the Village of Hawthorn Woods' financial statements for the year ended December 31, 2015. The independent auditor's report is located at the front of the financial section of this report.

Included with the financial statements is a narrative overview and analysis of the financial statements in the form of *Management Discussion and Analysis (MD&A)*. The MD&A complements this transmittal letter and should be read in conjunction with it. The financial statements include a view at the government-wide level, the fund level, and are supplemented by notes to the financial statements.

## **Profile of the Government**

The Village of Hawthorn Woods was incorporated on March 10, 1958 with a population of 141, which has since grown to 7,663. This represents a 27% increase from a decade ago. The Village covers an area of 7½ square miles and is located in Lake County, Illinois, approximately 30 miles northwest of Chicago. Hawthorn Woods is an upscale, predominantly residential community that prides itself on the high quality of living it affords its residents. Hawthorn Woods has consistently ranked among the top Chicago area communities in per capita income and median home value. A relatively substantial amount of the 7½ square miles within the Village's boundaries is still undeveloped. The Village is actively pursuing means to spur development, and recently updated the Comprehensive Plan to guide this development. The Village is also actively pursuing annexations of unincorporated land to expand municipal boundaries.

The Village is governed by a Board consisting of a mayor and six trustees, all of whom are elected at-large on a non-partisan basis. Policy-making and legislative authority are vested in the Village Board. The board is responsible for, but not limited to, passing ordinances, adopting the budget, appointing committees, and hiring both the Chief Operating Officer and Village Attorney. The Mayor is elected to serve a four-year term and the trustees serve four-year staggered terms, with three Board members elected every other year. The elected officials collectively work as a unified Board, volunteer their time and resources to advance good government, and remain supportive of the professionals who run daily departmental operations of the Village government.

The Chief Operating Officer is responsible for administering Board policy and conducting the day-to-day operations of the Village, which include a wide range of services and departments. Those services include administrative, financial, police protection, public works, planning and zoning, economic development, parks and recreation, code enforcement, and cultural/community events. The Chief Operating Officer also serves as the Chief of Staff for the Village. The Chief Operating Officer is also charged with review of the annual budget as prepared by the Chief Financial Officer.

The Village adopts a budget annually in November, but by ordinance no later than December 31<sup>st</sup> of each year. The zero-based budget serves as the foundation for the Village's financial planning and control. The budget is prepared by each departmental Director and submitted to the Chief Operating Officer for review. It is reflected at a fund, function and activity level. After administrative review and adjustments, the budget is presented to each committee and the Village Board for final review. The Village Board holds public hearings and may add to, subtract from, or change budgeted amounts.

## **Local Economy and Finances**

The Village's main revenue stream is based on the choice location of its land and the premier value of its residential base. The nationwide economic recession had negatively impacted the Village's revenue streams for the past several years. However, as the economic recovery has progressed, the Village has recently experienced an upturn in new housing starts, building additions and renovations. The Village issued 74 new home permits in 2015, compared to 36 new home permits in 2014. The Village is currently considering several new development plans and annexations of land that will spur economic development growth for the foreseeable future.

In addition, sales tax revenues and income tax revenue collections have improved over the prior years. The Village received a percentage of the sales tax revenues generated due to an intergovernmental agreement with the Villages of Lake Zurich and Kildeer for new development at the corner of Route 22 and Quentin Road (Mariano's grocery store and McDonalds). Although the economy is showing signs of improvement, the Village remains vigilant in aggressively monitoring operating and capital expenditures to sustain its financial stability.

## **Long-term Financial Planning**

The budget for the twelve months ended December 31, 2016 is balanced. The focus for managing the 2016 budget will involve critically examining each line item searching for opportunities for cost savings and improved efficiencies and increasing revenues through non-property tax initiatives. The Village Board's directive for the past six years indicated a strong Village commitment to annually increase our fund balances as a priority for long term financial health. The Village is pleased to report that as of December 31, 2015, the fund balance in the general fund is \$2,199,434, which is equal to 54% of the 2016 expenditure budget. This balance exceeds the Village's goal of 35% of the following year's annual operating budget.

## **Relevant Financial Policies**

The Village has several policies in place to clearly set financial parameters and guidelines. Among these include a capitalization policy, investment policy, diversification of assets and purchase order policy. All expenditures go through a multi-tier review with efforts to secure reduced pricing on all purchase orders. Additionally, the Village has seen success in 2015 that generated non-tax revenues from business and developer donations. All Village transactions are reviewed monthly by the Finance committee, comprised of community professionals, as well as the Mayor and Board of Trustees before fund payments are formally approved for release.

## **Major Initiatives**

The Village is pro-actively working to expand sustainable non-property tax revenue streams. In addition, there have been land annexation negotiations initiated in 2015 that will bring new revenues to the Village in 2016 and ongoing. As a result, the Village will receive all property tax revenue and potential sales tax revenues, as well as permits and fees, for these additional properties.

Economic Development planning is underway now that water and sewer utilities are complete within the Town Center known as the Main on Midlothian corridor. In addition, the Village's Uptown District, known as the Northern Planning Area, will be under review for utility expansion services later this year. Land parcel annexations are still anticipated in this Northern area for Village expansion.

Additionally, one major developer, the Pulte Group, emerged as the leader in building single family homes (38 homes in 2015). Hawthorn Woods leads the surrounding communities in new housing construction starts as a result of their home building success. William Ryan Homes is in the entitlement process proposing 60 new homes in the Stonebridge development located off of Old McHenry Road. Additionally, Orleans Homes is seeking authorization to construct a 28 unit single family one-acre residential development known as Stonewood Glen that proposes to bring upscale housing to Old McHenry Road. Several national homebuilders are in discussions with Hawthorn Woods for development approvals in 2016. As these land plans work their way through the entitlement process, the 2016 budget conservatively reflects this growth in revenue.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Hawthorn Woods for its comprehensive annual report for the year ended December 31, 2014. This was the tenth (10th) consecutive year the Village received this prestigious award. In order to be awarded a Certificate of Achievement, the Village must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

We express our appreciation to Mayor Joseph Mancino, the Village Board of Trustees and the Finance Committee for their support in planning and conducting the financial operations of the Village of Hawthorn Woods in a responsible and innovative manner. We are pleased to present to you the Comprehensive Annual Financial Report as we continue to pursue our goal of increasing cash reserves, controlling expenditures, and operating municipal services with excellence within a balanced budget.

Respectfully Submitted,



Pamela O. Newton, MSOL  
Chief Operating Officer



Kristin N. Kazenas, CPA  
Chief Financial Officer

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

The Honorable Village Mayor  
Members of the Board of Trustees  
Village of Hawthorn Woods  
Hawthorn Woods, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Hawthorn Woods, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Hawthorn Woods, Illinois, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 11, the Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; modified certain disclosures in the notes to financial statements; and the required supplementary information. Our opinion is 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 analysis and other required supplementary information 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 as a whole. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Naperville, Illinois  
May 18, 2016

A handwritten signature in black ink that reads "Silich LLP". The letters are cursive and fluid, with the "S" being particularly large and looping.

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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Our discussion and analysis of the Village of Hawthorn Wood's financial performance provides an overview of the Village's financial activities for the year ended December 31, 2015. Please read it in conjunction with the transmittal letter, which begins on page iv and the Village's financial statements, which begin on page 3.

### FINANCIAL HIGHLIGHTS

- The Village's total net position was \$17,654,325 as of December 31, 2015. Unrestricted net position (net position used to meet ongoing operations) totaled \$1,458,196. Restricted net position totaled \$1,655,852 and net position invested in capital assets totaled \$14,540,277.
- The Village's net position decreased as a result of this year's operations. While net position of business-type activities increased by \$2,641,970, or 119.7 percent, net position of the governmental activities decreased by \$3,137,985, or 19.7 percent. The primary reason for the decrease in governmental-type activities net position relates to a change in accounting principle related to GASB Statement No. 68 (\$1,917,676) and the reclassification of the sewer assets from a special revenue fund to an enterprise fund as of January 1, 2015 (\$2,347,301). The primary reason for the increase in business-type activities relates to the reclassification of the sewer assets from a special revenue fund to an enterprise fund as of January 1, 2015 of \$2,347,301.
- Capital assets net of depreciation totaled \$16,855,610 as of December 31, 2015, a decrease of \$596,497, due primarily to depreciation expense for the year ended December 31, 2015 exceeding capital asset additions.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 4 - 6) provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements begin on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. 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.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### USING THIS ANNUAL REPORT – Continued

#### **Government-Wide Financial Statements**

The government-wide financial statements provide readers with a broad overview of the Village's finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 4 - 6 of this report.

The Statement of Net Position reports information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's infrastructure, are needed to assess the overall health of the Village.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, building and zoning, public safety, public works, and parks and recreation. The business-type activities of the Village include aquatics and sewer operations.

#### **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 local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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 the Village's near-term financing requirements.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### USING THIS ANNUAL REPORT – Continued

#### Fund Financial Statements – Continued

##### Governmental Funds – Continued

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

The Village maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Park Donation Fund, Motor Fuel Tax Fund, Community Development Fund, Parks and Recreation, Debt Service Fund, and the Canadian National Project Fund all of which are considered major funds. The Village also reports four non-major governmental funds: the Connection Fees Fund, the Ike Planning Grant Fund, the Sister Cities Fund and the Capital Improvements Fund.

The Village adopts an annual appropriated budget for all of the governmental funds, (except the Connection Fees Fund, the Ike Planning Grant Fund, the Sister Cities Fund and the Debt Service Fund). A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 - 11 of this report.

##### Proprietary Funds

The Village maintains one proprietary fund type: enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village utilizes enterprise funds to account for its aquatics and sewer operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Aquatics Fund and the Sewer Fund; both funds considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 12 - 14 of this report.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### USING THIS ANNUAL REPORT – Continued

#### Fund Financial Statements – Continued

##### 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 use for fiduciary funds is much like that used for proprietary funds. The Village maintains five fiduciary funds: the Police Pension Fund, Special Service Area #1 Fund, Special Service Area #2 Fund, Special Service Area #3 Fund and Special Service Area #4 Fund. The basic fiduciary fund financial statements can be found on pages 15 - 16 of this report.

##### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 50 of this report.

##### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's I.M.R.F. and police employee pension obligations. Required supplementary information can be found on pages 51 - 64 of this report. Budgetary comparison schedules for the General Fund, Motor Fuel Tax Fund, Community Development Fund and Parks and Recreation Fund are also presented in the required supplementary information and can be found on pages 51 - 55. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 65 - 79 of this report.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Village of Hawthorn Woods, assets exceeded liabilities by \$17,654,325.

	Governmental		Net Position		Total	
	Activities		Business-type			
	Year	Year	Year	Year	Year	Year
	Ended	Ended	Ended	Ended	Ended	Ended
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Current and Other Assets	\$ 13,397,044	\$ 13,860,857	\$ 995,966	\$ 454,714	\$ 14,393,010	\$ 14,315,571
Capital Assets	10,667,939	13,237,343	6,187,671	4,214,764	16,855,610	17,452,107
Deferred Outflows	1,022,070	-	48,445	37,342	1,070,515	37,342
Total Assets & Deferred Outflows	25,087,053	27,098,200	7,232,082	4,706,820	32,319,135	31,805,020
Other Liabilities	1,744,544	1,335,133	160,406	4,308	1,904,950	1,339,441
Long-Term Debt	8,569,504	6,002,625	2,245,117	2,496,146	10,814,621	8,498,771
Deferred Inflows	1,945,239	1,877,015	-	-	1,945,239	1,877,015
Total Liabilities & Deferred Inflows	12,259,287	9,214,773	2,405,523	2,500,454	14,664,810	11,715,227
Net Position						
Invested in Capital Assets	10,667,939	13,237,343	3,872,338	1,755,960	14,540,277	14,993,303
Restricted	1,336,030	1,463,134	319,822	305,176	1,655,852	1,768,310
Unrestricted (Deficit)	823,797	3,182,950	634,399	145,230	1,458,196	3,328,180
Total Net Position	\$ 12,827,766	\$ 17,883,427	\$ 4,826,559	\$ 2,206,366	\$ 17,654,325	\$ 20,089,793

A large portion of the Village's net position, \$14,540,277 or 82.4 percent, reflects its investment in capital assets (for example, land, buildings and improvements, and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$1,655,852 or 9.4 percent, of the Village's net position represents resources that are subject to external restrictions on how they may be used. As of December 31, 2015, the Village is reporting unrestricted net position of \$1,458,196 or 8.3 percent. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	Year Ended 12/31/2015	Year Ended 12/31/2014	Year Ended 12/31/2015	Year Ended 12/31/2014	Year Ended 12/31/2015	Year Ended 12/31/2014
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1,960,371	\$ 1,573,054	\$ 342,238	\$ 278,611	\$ 2,302,609	\$ 1,851,665
Operating Grants/Contrib.	201,303	340,582	-	-	201,303	340,582
Capital Grants/Contrib.	40,983	463,240	-	-	40,983	463,240
General Revenues						
Property Taxes	1,880,861	1,886,580	-	-	1,880,861	1,886,580
Road and Bridge Taxes	17,361	18,420	-	-	17,361	18,420
Sales Taxes	177,840	179,487	-	-	177,840	179,487
Income and Use Taxes	985,995	882,939	-	-	985,995	882,939
Replacement Taxes	1,885	1,761	-	-	1,885	1,761
Telecomm./Utility Taxes	558,460	600,113	-	-	558,460	600,113
Other General Revenues	1,001,576	739,404	277,852	1,488	1,279,428	740,892
Total Revenues	6,826,635	6,685,580	620,090	280,099	7,446,725	6,965,679
<b>Expenses</b>						
General Government	1,808,015	1,433,958	-	-	1,808,015	1,433,958
Building and Zoning	761,186	865,096	-	-	761,186	865,096
Public Safety	2,386,651	1,405,975	-	-	2,386,651	1,405,975
Public Works	1,050,881	1,052,568	-	-	1,050,881	1,052,568
Parks and Recreation	1,031,292	807,156	-	-	1,031,292	807,156
Interest on Long-Term Debt	148,062	183,730	-	-	148,062	183,730
Aquatics	-	-	640,741	587,821	640,741	587,821
Sewer	-	-	115,912	-	115,912	-
Total Expenses	7,186,087	5,748,483	756,653	587,821	7,942,740	6,336,304
<b>Change in Net Position</b>						
Before Transfers	(359,452)	937,097	(136,563)	(307,722)	(496,015)	629,375
Transfers	(2,778,533)	(298,256)	2,778,533	298,256	-	-
Change in Net Position	(3,137,985)	638,841	2,641,970	(9,466)	(496,015)	629,375
Net Position-Beginning	17,883,427	17,045,880	2,206,366	2,215,832	20,089,793	19,261,712
Change in Accounting Principle	(1,917,676)	-	(21,777)	-	(1,939,453)	-
Prior Period Adjustment	-	198,706	-	-	-	198,706
Net Position-Beginning, as Restated	15,965,751	17,244,586	2,184,589	2,215,832	18,150,340	19,460,418
Net Position-Ending	\$ 12,827,766	\$ 17,883,427	\$ 4,826,559	\$ 2,206,366	\$ 17,654,325	\$ 20,089,793

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

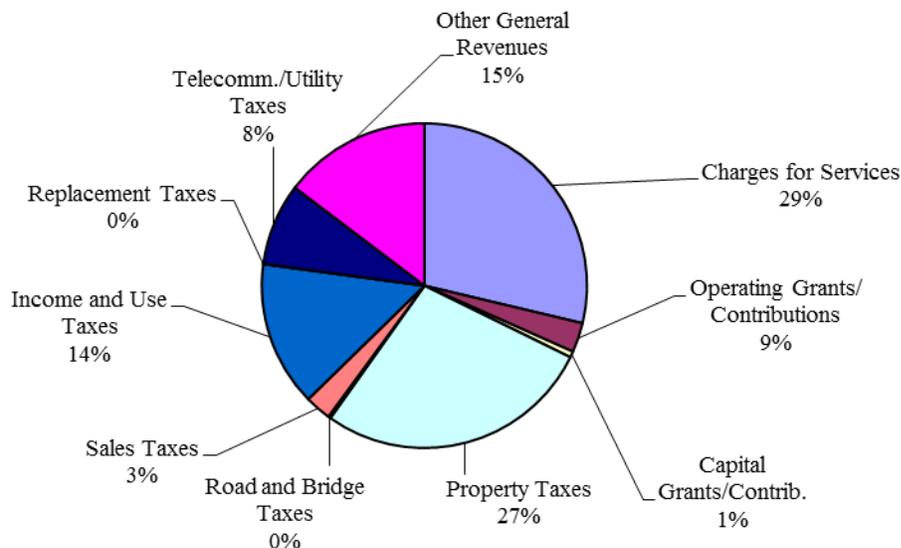
Net position of the Village's governmental activities decreased by 19.7 percent (\$12,827,766 as of December 31, 2015 compared to \$17,883,427, as of December 31, 2014, as restated). The \$3,317,985 decrease in governmental activities net position resulted from two main factors: a change in accounting principle related to GASB Statement No. 68 (\$1,917,676) and the reclassification of the sewer assets from a special revenue fund to an enterprise fund as of January 1, 2015 (\$2,347,301). Consistent with the prior year, there was diligent budget monitoring efforts by management, including delaying expenditures until adequate revenues were received, supplemented by new revenue sources.

Net position of business-type activities increased by 119.7 percent (\$4,826,559 as of December 31, 2015 compared to \$2,206,366 as of December 31, 2014). The \$2,641,970 increase in business-type activities net position primarily relates to the reclassification of the sewer assets from a special revenue fund to an enterprise fund as of January 1, 2015 of \$2,347,301.

### Governmental Activities

Revenues for governmental activities totaled \$6,826,635, while the cost of all governmental functions totaled \$7,186,087. This results in a decrease in net position before transfers and change in accounting principle of \$359,452. For the year ended December 31, 2014, revenues of \$6,685,580 were more than expenses of \$5,748,483, resulting in an increase in net position before transfers of \$937,097. The following table graphically depicts the major revenue sources of the Village. It depicts very clearly the reliance on property taxes, telecommunications/utility taxes and income/use taxes to fund governmental activities.

**Revenues by Source -  
Governmental Activities December 31, 2015**



# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

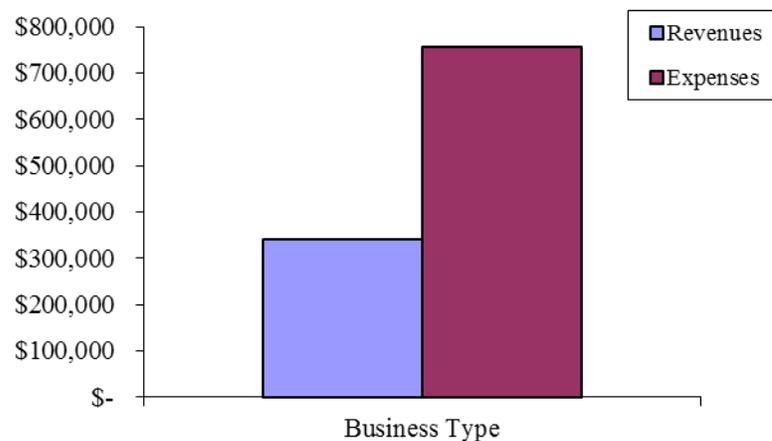
#### Governmental Activities – Continued

The 'Expenses and Program Revenues' Table identifies those governmental functions where program expenses greatly exceed revenues.

#### Business-Type activities

Business-Type activities posted total revenues of \$620,090, while the cost of all business-type activities totaled \$756,653. This results in a decrease in net position before transfers of \$136,563. The primary reason for this decrease is attributable to the depreciation expense, principal and interest payments and operations of the aquatic center facility and the sewer system. For the year ended December 31, 2014, revenues of \$280,099 were less than expenses of \$587,821, resulting in a decrease in net position before transfers of \$307,722.

**Expenses and Program Revenues - Business-Type Activities December 31, 2015**



The above graph compares program revenues to expenses for business-type activities.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

#### Governmental Funds

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

The Village's governmental funds reported combining ending fund balances of \$10,452,392, which is \$196,317 or 1.8 percent, lower than last year's total of \$10,648,709. Of the \$10,452,392 total, \$89,148, or 0.9 percent, of the fund balance constitutes nonspendable fund balance; \$6,326,030 or 60.5 percent of the fund balance is restricted for highways and streets, debt service, capital improvements, and special recreation; \$3,440,112, or 32.9 percent of the fund balance is assigned for cash reserves, capital improvements and the sister cities program; and \$597,102 or 5.7 percent is unassigned.

The General Fund reported an increase in fund balance for the year ended December 31, 2015 of \$239,297, an increase of 13.2 percent. The estimated increase in the fund balance of the General Fund in the 2015 approved budget was \$16,439. Therefore, the actual results were 1,455.7 percent higher than the budget projections. The minor negative variance in revenue collections (\$4,405 less than budgeted) was offset by positive variances in expenditures (\$272,338 less than budgeted). A detailed discussion of these variances follows on page MD&A-11. As of December 31, 2015, the Village achieved its fund balance goal of an ending fund balance at least 35% of the following year's expenditure budget, \$1,351,238 of the ending fund balance in the General Fund is assigned for cash reserves.

The Park Donation fund is used to account for developer donations to be used for park maintenance or improvements to neighborhood or community parks. These funds are reserved for future capital improvements and debt service payments on the Aquatic Center Bonds. The Park Donation fund reported an increase in fund balance in the current year of \$322,307 due primarily to a significant increase in park donation revenue related to the Hawthorn Hills subdivision. Ending fund balance at December 31, 2015 was \$322,603.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

#### Governmental Funds – Continued

The Motor Fuel Tax special revenue fund is used to account for state motor fuel tax allotment revenue and expenditures related to road repair and construction. These funds are restricted for road repair and construction. The Motor Fuel Tax Fund reported a decrease in fund balance in the current year of \$121,494. This decrease in fund balance was planned in the 2015 budget and related to the street patching/crack sealing program. Ending fund balance at December 31, 2015 was \$447,050.

The Community Development special revenue fund is used to account for nonrecurring revenue sources such as developer donations, building permits, and contractor licenses. The Community Development Fund reported an increase in fund balance in the current year of \$621,885 due primarily to license, permits and fees revenue being higher than expenditures. Permits were \$131,317 higher than budgeted. Expenditures were \$51,192 higher than budgeted due to increased inspections required by the additional permit revenue. Ending fund balance at December 31, 2015 was \$1,400,091.

The Parks and Recreation Fund is used to account for all activities related to the Village's parks and recreational activities (with the exception of the Aquatic Center activities, which are reported in a separate enterprise fund). These activities are recorded in four departments: Administration, Programs, Park Maintenance and Special Recreation (which accounts for the special recreation restricted tax levy and related expenditures.) The Parks and Recreation Fund reported a decrease in fund balance in the current year of \$114,869 due primarily to funding for several park improvement projects. Ending fund balance at December 31, 2015 was \$298,274.

The Debt Service Fund is used to account for the \$6,240,000 2014 debt certificates. In November 2014, the Village purchased special service area number 1, 2 and 3 current refunding bonds, (the "Refunded Bonds"). The refunded bonds were purchased with proceeds generated from the issuance of debt certificates (the "Certificates") issued by the Village. The Certificates will be repaid from the repayment of the Refunded Bonds held by the Village. The Refunded Bonds are payable from the respective special service area bond levies, and are not an obligation of the Village. Ending fund balance at December 31, 2015 was \$5,096,157.

The Canadian National Project Fund accounts for funds received from Canadian National for noise mitigation projects and reported an increase in fund balance of \$247 due primarily to interest income. Ending fund balance at December 31, 2015 was \$19,593.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

#### Proprietary Funds

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Village reports the two major proprietary funds: the Aquatics Fund and the Sewer Fund. The

Aquatics Fund accounts for the activities of the water park operations. This fund is comprised of four sub funds, which are used to segregate resources for operations and maintenance, capital improvements, and debt service.

The decrease in net position before the change in accounting principle in the Aquatics Fund during the current fiscal year was \$56,223, while the previous fiscal year reported a decrease in net position of \$9,466. The primary reason for this decrease is attributable to the depreciation expense, principal and interest payments and operations of the aquatic center facility. Unrestricted net position in the Aquatics Fund totaled \$84,377 at December 31, 2015.

Sewer Fund accounts for revenue from connection fees and the related expenditures for operations and maintenance of the sanitary sewer system.

The increase in net position before the change in accounting principle in the Sewer Fund during the current fiscal year was \$2,698,193. In the previous year, the Sewer Fund was reported as a special revenue fund. Unrestricted net position in the Sewer Fund totaled \$550,022 at December 31, 2015.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues for the year totaled \$3,904,678, compared to budgeted revenues of \$3,909,083. There are several reasons for the negative variance: revenues were \$4,405 lower than budgeted. Significant positive revenue variances included intergovernmental revenue (\$88,887 higher than budgeted and miscellaneous revenue (\$11,339 higher than budgeted.) These positive revenue variances were offset by negative variances in taxes (\$95,974 lower than budgeted) and licenses and fees (\$9,355 lower than budgeted.)

The General Fund actual expenditures for the year were \$272,338 less than budgeted (\$3,768,306 actual compared to a final budget of \$4,040,644). Some significant differences between the actual expenditures and budgeted expenditures are highlighted below:

- The administration function reported actual expenditures of \$424,544 compared to budget of \$517,518, resulting in a positive variance of \$92,974. This positive variance was primarily due to a decision to defer the hiring of a full-time executive administrative assistant for the Chief Operating Officer and the \$25,000 contingency budget line item was not utilized.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

- The legal function reported actual expenditures of \$133,564 compared to budget of \$165,500, resulting in a positive variance of \$31,936. This positive variance was primarily due to the fact that there were no significant legal issues during 2015.
- The public works function reported actual expenditures of \$572,276 compared to budgeted expenditures of \$691,857 resulting in a positive variance of \$116,581. This positive variance was primarily due to deferred hiring of full time specialist and cost savings related to an unseasonably warm winter resulting in less personnel and materials expenditures for snow removal.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The Village's investment in capital assets for its governmental and business type activities as of December 31, 2015 was \$16,855,610 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and equipment and vehicles.

	Capital Assets - Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	Year Ended 12/31/2015	Year Ended 12/31/2014	Year Ended 12/31/2015	Year Ended 12/31/2014	Year Ended 12/31/2015	Year Ended 12/31/2014
Land	\$ 6,557,081	\$ 6,557,081	\$ 417,459	\$ 417,459	\$ 6,974,540	\$ 6,974,540
Sanitary Sewer System	-	-	2,146,103	2,213,169	2,146,103	2,213,169
Buildings and Improvements	3,351,841	3,599,565	3,521,721	3,680,053	6,873,562	7,279,618
Equipment and Vehicles	759,017	867,528	102,388	117,252	861,405	984,780
<b>Total</b>	<b>\$ 10,667,939</b>	<b>\$ 11,024,174</b>	<b>\$ 6,187,671</b>	<b>\$ 6,427,933</b>	<b>\$ 16,855,610</b>	<b>\$ 17,452,107</b>

Capital additions were as follows:

Governmental Activities	
Buildings and Improvements	\$ 23,051
Equipment and Vehicles	58,670
	<u>81,721</u>
Business-Type Activities	
Equipment and Vehicles	\$ -

Additional information on the Village's capital assets can be found in note 4 on pages 27 - 28 of this report.

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## Management's Discussion and Analysis December 31, 2015

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### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

#### Debt Administration

At year-end, the Village had total outstanding debt of \$7,330,000 as compared to \$8,120,000 the previous year. During 2015, the Village issued no new debt, and made the scheduled principal and interest payments on the outstanding revenue bonds and debt certificates. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental Activities		Business-type Activities		Total	
	Year Ended 12/31/2015	Year Ended 12/31/2014	Year Ended 12/31/2015	Year Ended 12/31/2014	Year Ended 12/31/2015	Year Ended 12/31/2014
Revenue Bonds	\$ -	\$ -	\$ 2,340,000	\$ 2,485,000	\$ 2,340,000	\$ 2,485,000
Debt Certificates	4,990,000	5,635,000	-	-	4,990,000	5,635,000
Total	\$ 4,990,000	\$ 5,635,000	\$ 2,340,000	\$ 2,485,000	\$ 7,330,000	\$ 8,120,000

State statutes limit the amount of general obligation debt a non-home rule governmental entity may issue to 8.625 percent of its total assessed valuation. The current debt limit for the Village is \$33,271,288.

On March 16, 2012, the Village issued \$3,000,000 Revenue Refunding Bonds (Aquatic Center Project), Series 2014 to refund the \$2,570,000 of the Revenue Bonds (Aquatic Center Project), Series 2007. The Series 2007 bond payments were to be made primarily from park donation fees. Due to the downturn in the economy, the anticipated park donation fees did not materialize, jeopardizing the Village's ability to make the scheduled debt payments. The Series 2014 refunding bonds were issued to ensure the Village's ability to make the required debt payments, as follows: 1) extending the term of the bonds from 15 years to 18 years, 2) adding a new utility tax revenue pledge to provide a sustainable revenue source to fund the debt payments, and 3) restructuring the principal payments more evenly.

On November 12 2014, the Village purchased special service area number 1, 2 and 3 current refunding bonds, (the "Refunded Bonds"). The refunded bonds were purchased with proceeds generated from the issuance of debt certificates (the "Certificates") issued by the Village. The Certificates will be repaid from the repayment of the Refunded Bonds held by the Village. The Refunded Bonds are payable from the respective special service area bond levies.

Additional information on the Village's long-term debt can be found in Note 5 on pages 29-31 of this report.

# **VILLAGE OF HAWTHORN WOODS, ILLINOIS**

## **Management's Discussion and Analysis December 31, 2015**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Village's elected and appointed officials considered many factors when setting the year ended December 31, 2015 and December 31, 2016 budgets, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy. Signs of economic recovery such as increased building permits and lower unemployment rates and CPI indices were taken into consideration when setting the budget, rates, and fees for the year ended December 31, 2015 and December 31, 2016.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Kristin N. Kazenas, CPA, Chief Financial Officer/Director of Human Resources, Village of Hawthorn Woods, 2 Lagoon Drive, Hawthorn Woods, Illinois 60047.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 10,961,880	\$ 991,663	\$ 11,953,543
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	1,857,387	-	1,857,387
Utility tax	34,967	-	34,967
Accounts	115,196	4,303	119,499
Court fines	4,188	-	4,188
Prepaid expenses	89,148	-	89,148
Due from other governments			
Sales tax	27,702	-	27,702
Sales tax sharing	5,373	-	5,373
Use tax	59,262	-	59,262
Income tax	91,873	-	91,873
Franchise tax	33,000	-	33,000
Telecommunication tax	48,040	-	48,040
Motor fuel tax	17,295	-	17,295
Grants	51,733	-	51,733
Capital assets not being depreciated	6,557,081	417,459	6,974,540
Capital assets (net of accumulated depreciation)	4,110,858	5,770,212	9,881,070
Total assets	24,064,983	7,183,637	31,248,620
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items - police	654,444	-	654,444
Pension items - IMRF	367,626	13,282	380,908
Unamortized loss on refunding	-	35,163	35,163
Total deferred outflows of resources	1,022,070	48,445	1,070,515
Total assets and deferred outflows of resources	25,087,053	7,232,082	32,319,135
<b>LIABILITIES</b>			
Accounts payable	119,134	9,738	128,872
Wages payable	25,165	508	25,673
Unearned revenue - other	-	160	160
Deposits payable	781,898	-	781,898
Unearned revenue - grants	161,068	-	161,068
Long-term liabilities			
Due within one year	657,279	150,000	807,279
Due in more than one year	8,569,504	2,245,117	10,814,621
Total liabilities	10,314,048	2,405,523	12,719,571
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension items - police	87,852	-	87,852
Deferred revenue - property taxes	1,857,387	-	1,857,387
Total deferred inflows of resources	1,945,239	-	1,945,239
Total liabilities and deferred inflows of resources	12,259,287	2,405,523	14,664,810
<b>NET POSITION</b>			
Net investment in capital assets	10,667,939	3,872,338	14,540,277
Restricted for			
Highways and streets	447,050	-	447,050
Debt service	428,760	319,822	748,582
Special recreation	460,220	-	460,220
Unrestricted	823,797	634,399	1,458,196
<b>TOTAL NET POSITION</b>	\$ 12,827,766	\$ 4,826,559	\$ 17,654,325

See accompanying notes to financial statements.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
General government	\$ 1,808,015	\$ 398,519	\$ -	\$ -
Building and zoning	761,186	1,199,716	-	-
Public safety	2,386,651	153,428	4,494	38,783
Public works	1,050,881	-	196,809	2,200
Parks and recreation	1,031,292	208,708	-	-
Interest	148,062	-	-	-
Total governmental activities	7,186,087	1,960,371	201,303	40,983
Business-Type Activities				
Aquatics	640,741	312,671	-	-
Sewer	115,912	29,567	-	-
Total business-type activities	756,653	342,238	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,942,740</b>	<b>\$ 2,302,609</b>	<b>\$ 201,303</b>	<b>\$ 40,983</b>

	<b>Net (Expense) Revenue and Change in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
	\$ (1,409,496)	\$ -	\$ (1,409,496)
	438,530	-	438,530
	(2,189,946)	-	(2,189,946)
	(851,872)	-	(851,872)
	(822,584)	-	(822,584)
	(148,062)	-	(148,062)
	(4,983,430)	-	(4,983,430)
	-	(328,070)	(328,070)
	-	(86,345)	(86,345)
	-	(414,415)	(414,415)
	(4,983,430)	(414,415)	(5,397,845)
General Revenues			
Taxes			
Property	1,880,861	-	1,880,861
Road and bridge	17,361	-	17,361
Sales	177,840	-	177,840
Telecommunication and utility	558,460	-	558,460
Amusement	6,595	-	6,595
Intergovernmental			
Income	815,367	-	815,367
Use	170,628	-	170,628
Replacement	1,885	-	1,885
Investment income	159,208	1,696	160,904
Connection fees	-	276,000	276,000
Miscellaneous	835,773	156	835,929
Transfers in (out)	(2,778,533)	2,778,533	-
Total	1,845,445	3,056,385	4,901,830
CHANGE IN NET POSITION	(3,137,985)	2,641,970	(496,015)
NET POSITION, JANUARY 1	17,883,427	2,206,366	20,089,793
Change in accounting principle	(1,917,676)	(21,777)	(1,939,453)
NET POSITION, JANUARY 1, RESTATED	15,965,751	2,184,589	18,150,340
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 12,827,766</b>	<b>\$ 4,826,559</b>	<b>\$ 17,654,325</b>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2015

	General	Park Donation	Motor Fuel Tax	Community Development	Parks and Recreation	Debt Service	Canadian National Project	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>									
<b>ASSETS</b>									
Cash and investments	\$ 2,377,588	\$ 322,603	\$ 431,278	\$ 1,608,092	\$ 286,112	\$ 5,096,157	\$ 164,890	\$ 675,160	\$ 10,961,880
Receivables									
Property taxes	1,535,066	-	-	-	322,321	-	-	-	1,857,387
Utility taxes	34,967	-	-	-	-	-	-	-	34,967
Accounts	2,909	-	-	111,212	1,075	-	-	-	115,196
Court fines	4,188	-	-	-	-	-	-	-	4,188
Prepaid items	71,296	-	-	-	17,852	-	-	-	89,148
Due from other governments									
Municipal sales tax	27,702	-	-	-	-	-	-	-	27,702
Sales tax sharing	5,373	-	-	-	-	-	-	-	5,373
Illinois use tax	59,262	-	-	-	-	-	-	-	59,262
Illinois income tax	91,873	-	-	-	-	-	-	-	91,873
Franchise tax	33,000	-	-	-	-	-	-	-	33,000
Telecommunication tax	48,040	-	-	-	-	-	-	-	48,040
Motor fuel tax	-	-	17,295	-	-	-	-	-	17,295
Grants	51,733	-	-	-	-	-	-	-	51,733
Total assets	4,342,997	322,603	448,573	1,719,304	627,360	5,096,157	164,890	675,160	13,397,044
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
None	-	-	-	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,342,997</b>	<b>\$ 322,603</b>	<b>\$ 448,573</b>	<b>\$ 1,719,304</b>	<b>\$ 627,360</b>	<b>\$ 5,096,157</b>	<b>\$ 164,890</b>	<b>\$ 675,160</b>	<b>\$ 13,397,044</b>

	General	Park Donation	Motor Fuel Tax	Community Development	Parks and Recreation	Debt Service	Canadian National Project	Nonmajor Governmental	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 78,933	\$ -	\$ 286	\$ 33,208	\$ 737	\$ -	\$ -	\$ 5,970	\$ 119,134
Wages payable	19,992	-	1,237	1,008	2,928	-	-	-	25,165
Unearned revenue - grants	15,271	-	-	-	500	-	145,297	-	161,068
Deposits payable	494,301	-	-	284,997	2,600	-	-	-	781,898
Total liabilities	608,497	-	1,523	319,213	6,765	-	145,297	5,970	1,087,265
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue - property taxes	1,535,066	-	-	-	322,321	-	-	-	1,857,387
Total deferred inflows of resources	1,535,066	-	-	-	322,321	-	-	-	1,857,387
Total liabilities and deferred inflows of resources	2,143,563	-	1,523	319,213	329,086	-	145,297	5,970	2,944,652
<b>FUND BALANCES</b>									
Nonspendable									
Prepaid items	71,296	-	-	-	17,852	-	-	-	89,148
Restricted									
Highways and streets	-	-	447,050	-	-	-	-	-	447,050
Debt service	-	322,603	-	-	-	5,096,157	-	-	5,418,760
Special recreation	-	-	-	-	460,220	-	-	-	460,220
Assigned									
Cash reserves	1,351,238	-	-	-	-	-	-	-	1,351,238
Capital improvements	-	-	-	1,400,091	-	-	19,593	664,896	2,084,580
Sister Cities	-	-	-	-	-	-	-	4,294	4,294
Unassigned	776,900	-	-	-	(179,798)	-	-	-	597,102
Total fund balances	2,199,434	322,603	447,050	1,400,091	298,274	5,096,157	19,593	669,190	10,452,392
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
	\$ 4,342,997	\$ 322,603	\$ 448,573	\$ 1,719,304	\$ 627,360	\$ 5,096,157	\$ 164,890	\$ 675,160	\$ 13,397,044

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

December 31, 2015

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<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 10,452,392
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	10,667,939
Long-term liabilities (debt certificates) are not due and payable in the current period and, therefore, not reported in the governmental funds	(4,990,000)
The premium on debt issued is shown as a liability on the statement of net position	(57,308)
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position	(1,235,048)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources on the statement of net position	367,626
Net pension liability for the Police Pension Fund is shown as a liability on the statement of net position	(2,878,479)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Police Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	566,592
The net OPEB obligation is shown as a liability on the statement of net position	(54,552)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in the governmental funds	<u>(11,396)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 12,827,766</u></u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

December 31, 2015

	General	Park Donation	Motor Fuel Tax	Community Development	Parks and Recreation	Debt Service	Canadian National Project	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>									
Taxes	\$ 2,252,798	\$ -	\$ -	\$ -	\$ 332,075	\$ -	\$ -	\$ -	\$ 2,584,873
Licenses, permits and fees	535,900	-	-	1,373,146	215,803	-	-	-	2,124,849
Intergovernmental	1,050,818	-	196,809	-	-	-	-	-	1,247,627
Investment income	4,198	248	1,030	4,537	651	147,283	247	1,014	159,208
Miscellaneous	60,964	592,822	-	54,676	-	-	-	1,616	710,078
Total revenues	3,904,678	593,070	197,839	1,432,359	548,529	147,283	247	2,630	6,826,635
<b>EXPENDITURES</b>									
Current									
General government	1,404,968	-	-	252,148	-	-	-	-	1,657,116
Building and zoning	235,681	-	-	447,657	-	-	-	-	683,338
Public safety	1,552,381	-	-	-	-	-	-	-	1,552,381
Public works	575,276	-	319,333	-	-	-	-	-	894,609
Parks and recreation	-	-	-	110,669	594,034	-	-	-	704,703
Capital outlay	-	-	-	-	-	-	-	164,972	164,972
Debt service									
Principal	-	-	-	-	-	645,000	-	-	645,000
Interest and fiscal charges	-	-	-	-	-	155,469	-	-	155,469
Total expenditures	3,768,306	-	319,333	810,474	594,034	800,469	-	164,972	6,457,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	136,372	593,070	(121,494)	621,885	(45,505)	(653,186)	247	(162,342)	369,047
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	119,364	-	-	-	-	-	-	600,000	719,364
Transfers (out)	-	(270,763)	-	(650,000)	(69,364)	-	-	(294,601)	(1,284,728)
Total other financing sources (uses)	119,364	(270,763)	-	(650,000)	(69,364)	-	-	305,399	(565,364)
NET CHANGE IN FUND BALANCES	255,736	322,307	(121,494)	(28,115)	(114,869)	(653,186)	247	143,057	(196,317)
FUND BALANCES, JANUARY 1	1,943,698	296	568,544	1,428,206	413,143	5,749,343	19,346	526,133	10,648,709
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,199,434</b>	<b>\$ 322,603</b>	<b>\$ 447,050</b>	<b>\$ 1,400,091</b>	<b>\$ 298,274</b>	<b>\$ 5,096,157</b>	<b>\$ 19,593</b>	<b>\$ 669,190</b>	<b>\$ 10,452,392</b>

See accompanying notes to financial statements.

## VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

For the Year Ended December 31, 2015

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<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (196,317)</b>
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	81,721
Capital assets used in governmental activities operations were transferred to business-type activities when the connection fees special revenue fund was reclassified as an enterprise fund during the current fiscal year	(2,213,169)
Principal paid on installment contracts is an expenditure in the governmental funds but is a decrease in the principal outstanding on the statement of net position	645,000
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(437,956)
The amortization of premium on long-term debt is reported as an expense on the statement of activities	7,407
The change in the net OPEB obligation is shown as an increase to expense on the statement of activities	(24,200)
The change in the net pension liability for the Illinois Municipal Retirement Fund is reported only in the statement of activities	(500,073)
The change in deferred inflows and outflows of resources for the Illinois Municipal Retirement Fund is reported only in the statement of activities	235,397
The change in the net pension liability for the Police Pension Fund is reported only in the statement of activities	(659,593)
The change in deferred inflows and outflows for the Police Pension Fund is reported only in the statement of activities	(77,165)
The change in compensated absences payable is shown as a decrease in expense on the statement of activities	<u>963</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ (3,137,985)</u></u></b>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

December 31, 2015

	Aquatics	Sewer	Total Enterprise Funds
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 432,746	\$ 558,917	\$ 991,663
Accounts receivable	782	3,521	4,303
Total current assets	433,528	562,438	995,966
<b>NONCURRENT ASSETS</b>			
Capital assets			
Capital assets not being depreciated	417,459	-	417,459
Capital assets being depreciated, net	3,624,108	2,146,104	5,770,212
Net capital assets	4,041,567	2,146,104	6,187,671
Total noncurrent assets	4,041,567	2,146,104	6,187,671
Total assets	4,475,095	2,708,542	7,183,637
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items - IMRF	12,022	1,260	13,282
Unamortized loss on refunding	35,163	-	35,163
Total deferred outflows of resources	47,185	1,260	48,445
Total assets and deferred outflows of resources	4,522,280	2,709,802	7,232,082
<b>CURRENT LIABILITIES</b>			
Accounts payable	398	9,340	9,738
Wages payable	406	102	508
Unearned revenue - other	160	-	160
Revenue bonds payable	150,000	-	150,000
Total current liabilities	150,964	9,442	160,406
<b>NONCURRENT LIABILITIES</b>			
IMRF net pension liability	40,387	4,234	44,621
Net revenue bonds payable	2,200,496	-	2,200,496
Total noncurrent liabilities	2,240,883	4,234	2,245,117
Total liabilities	2,391,847	13,676	2,405,523
<b>DEFERRED INFLOWS OF RESOURCES</b>			
None	-	-	-
Total deferred inflows of resources	-	-	-
Total liabilities and deferred inflows of resources	2,391,847	13,676	2,405,523
<b>NET POSITION</b>			
Net investment in capital assets	1,726,234	2,146,104	3,872,338
Restricted for debt service	319,822	-	319,822
Unrestricted	84,377	550,022	634,399
<b>TOTAL NET POSITION</b>	<b>\$ 2,130,433</b>	<b>\$ 2,696,126</b>	<b>\$ 4,826,559</b>

See accompanying notes to financial statements.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	<u>Aquatics</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
Charges for service	\$ 312,671	\$ 29,567	\$ 342,238
Total operating revenues	<u>312,671</u>	<u>29,567</u>	<u>342,238</u>
<b>OPERATING EXPENSES</b>			
Personnel services	218,518	7,531	226,049
Contractual services	74,179	38,875	113,054
Commodities	49,146	-	49,146
Maintenance	13,137	2,440	15,577
Depreciation	173,197	67,066	240,263
Total operating expenses	<u>528,177</u>	<u>115,912</u>	<u>644,089</u>
OPERATING INCOME (LOSS)	<u>(215,506)</u>	<u>(86,345)</u>	<u>(301,851)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	928	768	1,696
Miscellaneous	156	-	156
Connection fees	-	276,000	276,000
Interest expense	(112,564)	-	(112,564)
Total non-operating revenues (expenses)	<u>(111,480)</u>	<u>276,768</u>	<u>165,288</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(326,986)</u>	<u>190,423</u>	<u>(136,563)</u>
<b>TRANSFERS</b>			
Transfers in	<u>270,763</u>	<u>2,507,770</u>	<u>2,778,533</u>
Total transfers	<u>270,763</u>	<u>2,507,770</u>	<u>2,778,533</u>
CHANGE IN NET POSITION	<u>(56,223)</u>	<u>2,698,193</u>	<u>2,641,970</u>
NET POSITION, JANUARY 1	2,206,366	-	2,206,366
Change in accounting principle	<u>(19,710)</u>	<u>(2,067)</u>	<u>(21,777)</u>
NET POSITION, JANUARY 1, RESTATED	<u>2,186,656</u>	<u>(2,067)</u>	<u>2,184,589</u>
<b>NET POSITION, DECEMBER 31</b>	<u>\$ 2,130,433</u>	<u>\$ 2,696,126</u>	<u>\$ 4,826,559</u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	Aquatics	Sewer	Total Enterprise Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 312,612	\$ 26,046	\$ 338,658
Payments to suppliers	(137,370)	(31,975)	(169,345)
Payments to employees	(212,299)	(6,523)	(218,822)
Miscellaneous non-operating receipts	156	-	156
Net cash from operating activities	(36,901)	(12,452)	(49,353)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Connection fees	-	276,000	276,000
Interfund loan receipts (repayments)	(5,000)	-	(5,000)
Transfers in	270,763	294,601	565,364
Net cash from noncapital financing activities	265,763	570,601	836,364
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(145,000)	-	(145,000)
Interest paid	(111,035)	-	(111,035)
Net cash from capital and related financing activities	(256,035)	-	(256,035)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	928	768	1,696
Net cash from investing activities	928	768	1,696
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,245)	558,917	532,672
CASH AND CASH EQUIVALENTS, JANUARY 1	458,991	-	458,991
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 432,746</b>	<b>\$ 558,917</b>	<b>\$ 991,663</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (215,506)	\$ (86,345)	\$ (301,851)
Miscellaneous non-operating receipts	156	-	156
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Increase (decrease) in			
Depreciation and amortization	173,197	67,066	240,263
Pension related items	8,655	907	9,562
Accounts receivable	(59)	(3,521)	(3,580)
Accounts payable	(908)	9,340	8,432
Wages payable	(2,436)	101	(2,335)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (36,901)</b>	<b>\$ (12,452)</b>	<b>\$ (49,353)</b>
<b>NONCASH TRANSACTIONS</b>			
Transfers of capital assets	\$ -	\$ 2,213,169	\$ 2,213,169

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2015

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	<b>Pension Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 120,340	\$ 79,766
Investments		
Non-negotiable certificates of deposit	1,080,637	-
U.S. Treasury obligations	25,703	-
U.S. agency obligations	309,762	-
State and local obligations	67,676	-
Money market mutual funds	2,537	-
Equity mutual funds	1,151,673	-
Accrued interest receivable	1,946	-
	<hr/>	
Total assets	2,760,274	\$ 79,766
	<hr/>	
<b>LIABILITIES</b>		
Accounts payable	-	\$ 68
Due to others	-	79,698
	<hr/>	
Total liabilities	-	\$ 79,766
	<hr/>	
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<b><u>\$ 2,760,274</u></b>	

See accompanying notes to financial statements.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUND**

For the Year Ended December 31, 2015

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	<b>Police Pension</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 280,551
Employee	106,136
	<hr/>
Total contributions	386,687
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Investment income	
Net depreciation in fair value of investments	(15,882)
Interest	26,623
	<hr/>
Total investment income	10,741
	<hr/>
Total additions	397,428
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<b>DEDUCTIONS</b>	
Benefits and refunds	78,871
Administration	16,308
	<hr/>
Total deductions	95,179
	<hr/>
NET INCREASE	302,249
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	
January 1	2,458,025
	<hr/>
December 31	\$ 2,760,274
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See accompanying notes to financial statements.

# VILLAGE OF HAWTHORN WOODS, 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 Hawthorn Woods, Illinois (the Village) have been prepared in accordance 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 more significant of the Village's accounting policies are described below.

#### a. Reporting Entity

The Village is a municipal corporation governed by a Village Mayor and six trustees using the village board administrator form of government. As required by generally accepted accounting principles, these financial statements present the Village (the primary government). The Police Pension Fund has been included as a fiduciary fund due to the fiduciary responsibility exercised over the Police Pension Fund.

#### 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, proprietary and fiduciary.

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

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

b. Fund Accounting (Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). However, the Village has no internal service funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Village utilizes a pension trust fund which is generally used to account for assets that the Village holds in a fiduciary capacity. The Village utilizes agency funds to account for funds received and reserved for debt service on the special service area (noncommitment) debt.

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds 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 HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

c. Government-Wide and Fund Financial Statements (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 general government, except those required to be accounted for in another fund.

The Park Donation Fund, a special revenue fund, is used to account for developer donations to be used for park maintenance or improvements to neighborhood or community parks. The Village has elected to report this fund as major.

The Motor Fuel Tax Fund, a special revenue fund, is used to account for state motor fuel tax allotment revenue and expenditures related to road repair and construction. The Village has elected to report this fund as major.

The Community Development Fund, a special revenue fund, is used to account for nonrecurring revenue sources such as developer donations, building permits and contractor licenses. Reimbursable revenues and expenditures are also recorded in this fund.

The Parks and Recreation Fund, a special revenue fund, is used to account for the revenues received from property taxes (including the special recreation levy), recreation program fees and field lease agreement fees and the related expenditures for recreation programming, special recreation programming and park maintenance.

The Debt Service Fund is used to account for the payment of principal and interest on the 2013 Debt Certificates.

The Canadian National Project Fund, a capital projects fund, is used to account for revenue and expenditures of grant monies received from Canadian National for various projects. The Village has elected to report this fund as major.

The Village reports the following nonmajor governmental funds:

The Connection Fees Fund, a special revenue fund, is used to account for revenue from connection fees and the related expenditures for future water and system related maintenance.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

The Sister Cities Fund, a special revenue fund, is used to account for the revenues received from donations and the related expenditures for the Sister Cities program with the Village of Marineo, Sicily.

The Capital Improvements Fund, a capital projects fund, is used to account for other financing sources (transfers from other funds) and expenditures for capital improvements.

The Village reports the following major proprietary fund:

The Aquatics Fund accounts for the activities of the water park operations. This fund is comprised of four subfunds which are used to segregate resources for operations and maintenance, capital improvements and debt service.

The Sewer Fund is used to account for revenue from connection fees and the related expenditures for the operations and maintenance of the sanitary sewer system.

The Village reports a pension trust fund as a fiduciary fund to account for the Police Pension Fund. Additionally, the Village reports the special service area funds responsible for noncommitment debt repayment as agency funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements (except the agency funds which have no measurement focus). Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. The Village recognizes property taxes when they become both measurable and available in the period the tax is 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.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Property taxes, sales taxes and telecommunication taxes owed to the state at year end, court fines, franchise fees, 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. Local fines, licenses and permit revenue and miscellaneous revenues are considered to be measurable and available only when cash is received by the Village.

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

The Village reports deferred, unavailable and unearned 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 or unearned revenues arise when a revenue is measurable but not earned under the accrual basis of accounting. Deferred or 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 or deferred inflows of resource for deferred, unearned and unavailable revenue are removed from the financial statements and revenue is recognized.

e. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with a maturity date of three months or less from the date acquired by the Village.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

f. Investments

Investments with a maturity of less than one year when purchased are stated at cost or amortized cost. Investments with a maturity of one year or greater when purchased are reported at fair value. All investments of the pension trust fund except non-negotiable certificates of deposit 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 using the consumption method.

h. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.

Asset Class	Capitalization Threshold
Buildings and improvements	\$ 5,000
Equipment and vehicles	5,000

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, including street overlays that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	Years
Buildings	45
Sewer infrastructure	35
Improvements	20
Equipment	10
Vehicles - public safety	3
Vehicles - public works	10
Furniture	7
Office equipment	5

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

i. Compensated Absences

Vested or accumulated vacation leave is 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 leave of proprietary funds and 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 and proprietary funds in the fund financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expenses.

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 legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance results from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision-making authority. Formal actions include ordinances approved by the Board of Trustees. 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's Chief Financial Officer through the approved fund balance policy of the Village. Any residual fund balance of the General Fund and any deficit fund balance in other governmental funds is reported as unassigned.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

k. Net Position/Fund Balance (Continued)

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.

The Village has established fund balance policies for their General Fund. The General Fund targets a reserve fund to fund operations for a period of at least four months of General Fund expenditures (not including transfers to fund capital projects). Unassigned fund balance is transferred to these reserves. These reserves are reported as an assigned fund balance.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the Village's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

l. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

m. Interfund Transactions

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

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

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

n. 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 nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**2. DEPOSITS AND INVESTMENTS**

a. Village

State statutes authorize the Village to make deposits in commercial banks and savings and loan institutions, and to make investments in obligations of the U.S. Treasury and U.S. agencies, investment grade obligations of state, provincial and local governments and public authorities, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds and the Illinois Metropolitan Investment Fund. Pension funds may also invest in certain non-U.S. obligations, mortgages, veteran’s loans, life insurance company contracts and mutual funds and equity securities.

In addition, the Village’s Board of Trustees has adopted an investment policy which provides further guidance on the investment of village funds. It is the policy of the Village to invest its funds in a manner which will provide a competitive 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, in order of priority are; safety of principal, liquidity and return on investment. Investment in derivatives is not discussed in the Village’s investment policy. The Village allows all investments permitted under Illinois Compiled Statutes (ILCS).

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 all deposits with financial institutions in excess of federal depository insurance be collateralized at 110% of the uninsured bank balance, with collateral held under the guidelines of the Village’s written collateral agreement.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**2. DEPOSITS AND INVESTMENTS (Continued)**

a. Village (Continued)

Investments

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to meet daily cash flow requirements for ongoing operations in order to maximize yield on longer term investments by avoiding having to sell securities on the open market before maturity and by investing operating funds in shorter term securities, money market mutual funds or external investment pools. The Village's investment policy requires that securities purchased will not have a maturity of more than one year unless matched to a specific cash flow.

At December 31, 2015, the Village had the following investments in debt securities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
State and local obligation	\$ 4,989,000	\$ 654,000	\$ 3,555,000	\$ 780,000	\$ -
<b>TOTAL</b>	<b>\$ 4,989,000</b>	<b>\$ 654,000</b>	<b>\$ 3,555,000</b>	<b>\$ 780,000</b>	<b>\$ -</b>

The state and local obligation securities are not rated.

The Village does not have a formal policy regarding credit risk. However, 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 certificates of deposit.

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 (DVP) basis with the underlying investments held by a third party custodian approved by the Chief Financial Officer and evidenced by safekeeping receipts.

Concentration of credit risk is the risk that the Village has too high a percentage of their investments invested in one type of investment. The Village's investment policy requires diversification of investment to avoid unreasonable risk. The Village's investment policy states that no financial institution shall hold more than 50% of the total investments of the Village except for U.S. Treasury securities, collateralized pools and collateralized certificates of deposit.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. RECEIVABLES**

Property Taxes

Property taxes are levied in Lake County by the last Tuesday in December, on the assessed valuation as of January 1. The tax levy becomes an enforceable lien against the property on January 1 of the year following the tax levy year. These taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the Village units their respective shares of the collections. Taxes levied in one year become due and payable in two installments during the following year. The Lake County installments are due June 1 and September 1.

The 2015 property tax levy is recorded as a receivable, net of estimated uncollectibles. Based upon collection histories, the Village has provided at December 31, 2015, an allowance of 3% of the levy for uncollectible real property taxes. All uncollected taxes relating to prior years' levies have been written off. For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year end, if any, are recorded as revenue. The 2015 taxes are intended to finance the 2016 fiscal year and are not considered available for current operations and are, therefore, shown as unavailable revenue.

**4. CAPITAL ASSETS**

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

	January 1, (Restated)*	Increases	Decreases	December 31
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 6,557,081	\$ -	\$ -	\$ 6,557,081
Total capital assets not being depreciated	<u>6,557,081</u>	<u>-</u>	<u>-</u>	<u>6,557,081</u>
Capital assets being depreciated				
Buildings and improvements	5,866,554	23,051	-	5,889,605
Equipment and vehicles	2,561,777	58,670	-	2,620,447
Total capital assets being depreciated	<u>8,428,331</u>	<u>81,721</u>	<u>-</u>	<u>8,510,052</u>
Less accumulated depreciation for				
Buildings and improvements	2,266,989	270,775	-	2,537,764
Equipment and vehicles	1,694,249	167,181	-	1,861,430
Total accumulated depreciation	<u>3,961,238</u>	<u>437,956</u>	<u>-</u>	<u>4,399,194</u>
Total capital assets being depreciated, net	<u>4,467,093</u>	<u>(356,235)</u>	<u>-</u>	<u>4,110,858</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 11,024,174</u>	<u>\$ (356,235)</u>	<u>\$ -</u>	<u>\$ 10,667,939</u>

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**4. CAPITAL ASSETS (Continued)**

	January 1, (Restated)*	Increases	Decreases	December 31
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 417,459	\$ -	\$ -	\$ 417,459
Total capital assets not being depreciated	<u>417,459</u>	<u>-</u>	<u>-</u>	<u>417,459</u>
Capital assets being depreciated				
Sanitary sewer system	2,347,301	-	-	2,347,301
Buildings and improvements	4,735,324	-	-	4,735,324
Equipment	172,848	-	-	172,848
Total capital assets being depreciated	<u>7,255,473</u>	<u>-</u>	<u>-</u>	<u>7,255,473</u>
Less accumulated depreciation for				
Sanitary sewer system	134,132	67,066	-	201,198
Building and improvements	1,055,271	158,332	-	1,213,603
Equipment	55,596	14,864	-	70,460
Total accumulated depreciation	<u>1,244,999</u>	<u>240,262</u>	<u>-</u>	<u>1,485,261</u>
Total capital assets being depreciated, net	<u>6,010,474</u>	<u>(240,262)</u>	<u>-</u>	<u>5,770,212</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>				
	<u>\$ 6,427,933</u>	<u>\$ (240,262)</u>	<u>\$ -</u>	<u>\$ 6,187,671</u>

\*The Sewer Fund was reclassified from a special revenue fund to an enterprise fund as of January 1, 2015. Therefore, opening capital assets include \$2,347,301 in the beginning balance column from this change.

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

<b>DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 8,660
Building and zoning	47,480
Public safety	68,060
Public works	47,480
Parks and recreation	<u>266,276</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<u>\$ 437,956</u>

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. LONG-TERM DEBT**

a. Special Service Area Bonds

As of December 31, 2015, the following Special Service Area (SSA) bonds were outstanding: SSA #1 Refunding Bonds, Series 2013A (which refunded the SSA #1 - 2003A Bonds and SSA #1 - 2004A Bonds), SSA #2 Refunding Bonds, Series 2013B (which refunded the SSA #2 - 2003B Bonds and SSA #2 - 2004B Bonds), SSA #3 Refunding Bonds, Series 2013C (which refunded the SSA #3 - 2003C Bonds and SSA #3 - 2004C Bonds) and SSA #4 - 2006 Bonds.

The SSA bonds outstanding as of December 31, 2015 totaled \$7,869,000. These bonds are not an obligation of the Village and are secured by the levy of real estate taxes on certain property within the special service areas. The Village is in no way liable for repayment but is only acting as agent for the property owners in levying and collecting the assessments and forwarding the collections to bondholders.

b. Changes in Long-Term Liabilities - Governmental Activities

During the fiscal year, the following changes occurred in governmental activities long-term liabilities:

	Fund Debt Retired By	Balances January 1, Restated	Additions	Reductions	Balances December 31	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>						
	Debt Service	\$ 5,635,000	\$ -	\$ 645,000	\$ 4,990,000	\$ 655,000
Debt certificates	Debt Service	64,715	-	7,407	57,308	-
Unamortized premium on debt certificates	General	12,359	187,781	188,744	11,396	2,279
Compensated absences	General	2,218,886	659,593	-	2,878,479	-
Net pension liability - police pension	General	734,975	500,073	-	1,235,048	-
Net pension liability - IMRF	General	30,352	24,200	-	54,552	-
Other postemployment benefit						
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>		<b>\$ 8,696,287</b>	<b>\$ 1,371,647</b>	<b>\$ 841,151</b>	<b>\$ 9,226,783</b>	<b>\$ 657,279</b>

c. Debt Certificates

Issue	Fund Debt Retired by	Balance January 1	Issuances	Retirements	Balance December 31	Current Portion
\$6,240,000 debt certificates dated November 12, 2013 with principal and interest due June 30 and December 30 including interest at 2.00% to 3.25% due through December 30, 2022.	Debt Service	\$ 5,635,000	\$ -	\$ 645,000	\$ 4,990,000	\$ 655,000
		\$ 5,635,000	\$ -	\$ 645,000	\$ 4,990,000	\$ 655,000

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

d. Changes in Long-Term Liabilities - Business-Type Activities

During the year ended December 31, 2015, the following changes occurred in business-type activities long-term liabilities:

	Fund Debt Retired By	Balances January 1, Restated	Additions	Reductions	Balances December 31	Current Portion
<b>BUSINESS-TYPE ACTIVITIES</b>						
Revenue bonds	Aquatics	\$ 2,485,000	\$ -	\$ 145,000	\$ 2,340,000	\$ 150,000
Unamortized premium on bonds	Aquatics	11,146	-	650	10,496	-
Net pension liability - IMRF	Aquatics/ Sewer	26,554	18,067	-	44,621	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ 2,522,700</b>	<b>\$ 18,067</b>	<b>\$ 145,650</b>	<b>\$ 2,395,117</b>	<b>\$ 150,000</b>

e. Debt Service Requirements to Maturity - Governmental Activities

Annual debt service requirements to maturity for the governmental activities debt certificates are as follows:

Year Ending December 31,	Debt Certificates		
	Principal	Interest	Total
2016	\$ 655,000	\$ 142,044	\$ 797,044
2017	670,000	127,119	797,119
2018	690,000	106,869	796,869
2019	710,000	86,019	796,019
2020	730,000	64,569	794,569
2021	755,000	42,444	797,444
2022	780,000	18,687	798,687
<b>TOTAL</b>	<b>\$ 4,990,000</b>	<b>\$ 587,751</b>	<b>\$ 5,577,751</b>

f. Revenue Bonds

The Village issued \$2,805,000 Revenue Bonds (Aquatic Center Project), Series 2007, dated June 15, 2007, for the purpose of financing the construction of an aquatic center and related improvements, payable in annual installments of \$110,000 to \$645,000 each December 30, beginning December 30, 2009 through December 30, 2017 with interest payable semiannually on June 30 and December 30 at 4.75%. The revenue bonds are payable from park donations pledged to the payment of the bonds and a pledge of revenues derived from the operation of the Aquatic Center to be financed.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

f. Revenue Bonds (Continued)

On March 16, 2011, the Village issued \$3,000,000 Revenue Refunding Bonds (Aquatic Center Project), Series 2011 to refund \$2,570,000 of the Revenue Bonds (Aquatic Center Project), Series 2007. Through the refunding, the Village extended the maturity of the bonds from 2017 to 2028. The debt service was increased by \$1,240,086. Of the proceeds, \$2,595,771 was used to currently refund the Revenue Bonds (Aquatic Center Project), Series 2007. On March 16, 2011, the principal of the Revenue Bonds (Aquatic Center Project), Series 2007 was paid off.

The ordinance authorizing the issuance of \$3,000,000 Revenue Refunding Bonds (Aquatic Center Project), Series 2011 provided for the continuation of separate subfunds of the Aquatics Fund. The Park Donation Fund is required for all park donations fees received by the Village. This subfund had a balance of \$322,603 at December 31, 2015. A Depreciation Subfund is required as corporate authorities deem necessary in order to provide an adequate depreciation fund for the Aquatic Center. This subfund had a balance of \$104,635 at December 31, 2015. A Bond and Interest Subfund is required to fund principal and interest payments. Each month a fractional amount of the principal and interest coming due on the next payment date is to be deposited to this subfund. At December 31, 2015, this subfund had a balance of \$62,972. Finally, a Reserve Subfund is required for making transfers to the Bond and Interest Subfund in the event that the Bond and Interest Subfund is insufficient. At December 31, 2015, this subfund (including the 2011 Reserve Subfund) had a balance of \$256,850 as required by the ordinance.

Debt service to maturity on these bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2016	\$ 150,000	\$ 105,960	\$ 255,960
2017	155,000	100,710	255,710
2018	160,000	95,285	255,285
2019	165,000	89,365	254,365
2020	170,000	82,765	252,765
2021	180,000	75,540	255,540
2022	185,000	67,890	252,890
2023	195,000	59,103	254,103
2024	205,000	49,840	254,840
2025	215,000	39,590	254,590
2026	225,000	28,840	253,840
2027	235,000	17,253	252,253
2028	100,000	5,150	105,150
<b>TOTAL</b>	<b>\$ 2,340,000</b>	<b>\$ 817,291</b>	<b>\$ 3,157,291</b>

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**6. INTERFUND ACTIVITY**

Interfund transfers during the year ended December 31, 2015 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 119,364	\$ -
Park Donation	-	270,763
Community Development	-	650,000
Park and Recreation	-	69,364
Nonmajor Government		
Capital Improvements	600,000	-
Aquatics Center	270,763	-
	<u>\$ 990,127</u>	<u>\$ 990,127</u>
<b>TOTAL</b>	<u>\$ 990,127</u>	<u>\$ 990,127</u>

Significant transfers between funds for the year ended December 31, 2015 consist of the following:

- \$600,000 transfer from the Community Development Fund to the Capital Improvements Fund is for capital projects.
- \$270,763 transfer from the Park Donation Fund to the Aquatics Center for park donation revenues in accordance with revenue bond covenants.

In addition, there was a transfer from the Connection Fees Special Revenue Fund to the Sewer Enterprise Fund to close this fund of \$294,601. Finally, there was a transfer from governmental activities to business-type activities of \$2,213,169 to move the capital assets for the closed Connection Fees Special Revenue Fund.

None of the transfers will be repaid.

**7. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Village's employees. The Village pays for health insurance for employees and general liability insurance through third party indemnity insurance. The Village participates in the Illinois Public Risk Fund for its workers' compensation insurance coverage. The Village currently reports its risk management expenditures/expenses in the General Fund. There were no significant changes in insurance coverage from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

**7. RISK MANAGEMENT (Continued)**

The Illinois Public Risk Fund (the Fund) is a self-funded workers' compensation pool for public entities. The purpose of the Fund is to provide for the defense and payment when due of all compensation and other benefits under the Illinois Workers' Compensation and Occupational Diseases Laws on behalf of fire protection districts, public entities and agencies and other units of state and local government within the State of Illinois. There are approximately 500 members. A Board of Trustees oversees the operation of the Fund and governs it in accordance with State of Illinois Regulations.

Members' cost is proportional, based on contributions developed by payroll audits. Rates and any discounts approved by the Board of Trustees are used to determine standard premiums for each member. Each member's experience modifications are used. Members also participate in policyholder dividends based on the Fund's and individual member's experience. Members can also be assessed if the assets of the Fund are less than the reserves required to be maintained. The Village is not aware of any additional amounts due to the Fund at December 31, 2015.

**8. CONTINGENT LIABILITIES**

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.

Grants

Amounts received or receivable 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.

**9. 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, benefit levels, employee contributions and employer contributions for all the plans are governed by ILCS 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, however, issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from their website at [www.imrf.org](http://www.imrf.org).

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions

Illinois Municipal Retirement Fund

*Plan Administration*

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.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

At December 31, 2015, IMRF membership consisted of:

Inactive employees or their beneficiaries	
currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	22
Active employees	24
 TOTAL	 53

*Benefits Provided*

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 provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided (Continued)*

IMRF also provides death and disability benefits. These benefit provisions are established by state statute.

*Contributions*

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the year ended December 31, 2015 was 11.57% of covered payroll.

*Actuarial Assumptions*

The Village's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	3.50%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.50%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.45%. 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 IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.45% used to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 2,898,741	\$ 2,137,212	\$ 761,529
Changes for the period			
Service cost	164,627	-	164,627
Interest	220,700	-	220,700
Difference between expected and actual experience	201,645	-	201,645
Changes in assumptions	10,211	-	10,211
Employer contributions	-	197,892	(197,892)
Employee contributions	-	76,967	(76,967)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Changes in the Net Pension Liability (Continued)*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Changes for the period (Continued)			
Net investment income	\$ -	\$ 11,189	\$ (11,189)
Benefit payments and refunds	(53,152)	(53,152)	-
Administrative expense	-	-	-
Other (net transfer)	-	(207,005)	207,005
Net changes	<u>544,031</u>	<u>25,891</u>	<u>518,140</u>
BALANCES AT			
DECEMBER 31, 2015	<u>\$ 3,442,772</u>	<u>\$ 2,163,103</u>	<u>\$ 1,279,669</u>

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2015, the Village recognized pension expense of \$702,641.

At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 164,226	\$ -
Changes in assumption	81,200	-
Net difference between projected and actual earnings on pension plan investments	<u>135,482</u>	<u>-</u>
TOTAL	<u>\$ 380,908</u>	<u>\$ -</u>

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 117,225
2017	117,225
2018	95,671
2019	50,787
2020	-
Thereafter	<u>-</u>
 TOTAL	 <u>\$ 380,908</u>

*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 7.45% 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 (6.45%) or 1 percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Net pension liability (asset)	\$ 1,835,239	\$ 1,279,669	\$ 820,968

Police Pension Plan

*Plan Administration*

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

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Plan Administration*

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

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

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but no yet receiving benefits	-
Active plan members	12
 TOTAL	 14

*Benefits Provided*

The Police Pension Plan provides retirement benefits through two tiers of 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.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Benefits Provided* (Continued)

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 1<sup>st</sup> 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.

*Contributions*

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs 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, 2015, the Village's contribution was 28.63% of covered payroll.

*Investment Policy*

In accordance with the Police Pension Fund's (the Fund) investment policy, the Fund may invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Investment Policy* (Continued)

Illinois, direct obligations of the State of Illinois, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value).

It is the policy of the Fund to invest its funds in a manner which will provide a competitive investment return with the maximum security while meeting the daily cash flow demands of the Fund 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; safety of principal, return on investment, legality and meeting all funding requirements. During the year, the following changes to the investment policy were approved by the Board of Trustees: The maximum allowable investment in equities was increased from 10% to 45% in accordance with ILCS for plans with 2,500,000 and 10,000,000 in net assets. Target allocations across asset classes were also adjusted.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	55.0%	2.15%
Large cap domestic equities	31.5%	6.95%
Small cap domestic equities	9.0%	9.05%
International equities	4.5%	7.15%

ILCS limit the Fund’s investments in equities to 45%. Securities in any one company should not exceed 5% of the total fund.

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Investment Policy* (Continued)

The Long-Term Expected Real Rate of Returns for the asset classes above are calculated on a geometric mean basis and are net of inflation and investment expense. Asset class returns are from the Stocks, Bonds, Bills and Inflation 2013 Yearbook - Morningstar for the period December 31, 1925 through December 31, 2014 except for the asset class returns for the international equities which are from the MSCI EAFE Index for the period December 31, 1976 through December 31, 2014.

*Investment Valuations*

All investments except for non-negotiable certificates of deposit in the 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 are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

*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 0.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Fund's deposits may not be returned to it.

At December 31, 2015, all of the Fund's bank balances were collateralized in accordance with their investment policy.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Interest Rate Risk*

The Fund limits its exposure to interest rate risk by structuring the portfolio to maximize the security of investments and the rate of return. This is accomplished by diversifying the types and maturity ranges of securities. The investment policy is silent related to investment rate risk.

The following table presents the investments and maturities of the Fund's debt securities and money market mutual funds 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. Treasury obligations	\$ 25,703	\$ -	\$ 25,703	\$ -	\$ -
U.S. agency obligations	309,761	22,900	108,748	153,345	24,769
State and local obligations	67,676	-	36,223	31,453	-
<b>TOTAL</b>	<b>\$ 403,140</b>	<b>\$ 22,900</b>	<b>\$ 170,674</b>	<b>\$ 184,798</b>	<b>\$ 24,769</b>

*Credit Risk*

The 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 investing primarily in certificates of deposit. The investment policy is silent related to credit risk.

*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 Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund primarily invests in certificates of deposit. The investment policy also requires a third party custodian for debt securities.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The Fund's funding policy is to have the Fund reach a funded ratio of 100% by December 31, 2040. Therefore, the Police Pension Plan's projected fiduciary net position can be expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Police Pension Plan's investments was applied to all periods of projected benefits payments to determine the total pension liability.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Changes in Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 4,676,911	\$ 2,458,025	\$ 2,218,886
Changes for the period			
Service cost	248,158	-	248,158
Interest	313,030	-	313,030
Difference between expected and actual experience	576,324	-	576,324
Changes in assumptions	(96,799)	-	(96,799)
Employer contributions	-	280,551	(280,551)
Employee contributions	-	106,136	(106,136)
Net investment income	-	10,721	(10,721)
Benefit payments and refunds	(78,871)	(78,871)	-
Administrative expense	-	(16,288)	16,288
Net changes	961,842	302,249	659,593
BALANCES AT DECEMBER 31, 2015	\$ 5,638,753	\$ 2,760,274	\$ 2,878,479

There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, retirement rates, disability rates and termination rates.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*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
Assumptions	
Inflation	3.00%
Salary increases	4.50% to 14.00%
Interest rate	6.75%
Postretirement benefit increases	3.00%
Asset valuation method	Market

Mortality rates were based on the RP-2000 Mortality Table adjusted for Blue Collar Workers.

*Discount Rate Sensitivity*

The following is a sensitivity 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 6.75% 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 3,911,907	\$ 2,878,479	\$ 2,049,821

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2015, the Village recognized police pension expense of \$1,017,309. At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ 523,059	\$ -
Changes in assumption	-	87,852
Net difference between projected and actual earnings on pension plan investments	<u>131,385</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 654,444</u></u>	<u><u>\$ 87,852</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the police pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 77,165
2017	77,165
2018	77,165
2019	77,162
2020	44,318
Thereafter	<u>213,617</u>
<b>TOTAL</b>	<u><u>\$ 566,592</u></u>

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**10. OTHER POSTEMPLOYMENT BENEFITS**

a. Plan Description

In addition to providing the pension benefits described, the Village provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and ILCS. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Village's governmental activities.

b. Benefits Provided

The Village provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Village's retirement plan. Upon a retiree reaching the age of 65, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Village's insurance provider.

c. Membership

At December 31, 2015 membership consisted of:

Actives fully eligible to retire	-
Actives not yet fully eligible to retire	28
Retirees and dependents	-
	<hr/>
TOTAL	28
	<hr/>
Participating employers	1
	<hr/>

d. Funding Policy

The Village is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**10. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2014 and 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 6,494	\$ -	0.0%	\$ 23,815
2014	6,537	-	0.0%	30,352
2015	24,200	-	0.0%	54,552

The net OPEB obligation as of December 31, 2015 was calculated as follows:

Annual required contribution	\$ 23,997
Interest on net OPEB obligation	1,215
Adjustment to annual required contribution	<u>(1,012)</u>
Annual OPEB cost	24,200
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	24,200
Net OPEB obligation, beginning of year	<u>30,352</u>
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<b><u>\$ 54,552</u></b>

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2015 was as follows:

Actuarial accrued liability (AAL)	\$ 126,514
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	126,514
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,122,750
UAAL as a percentage of covered payroll	6.0%

**10. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included a discount rate of 4% and an initial healthcare cost trend rate ranging from 7.2% to 8.3% with an ultimate healthcare inflation rate of 5%. Both rates include a 3% inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**11. CHANGE IN ACCOUNTING PRINCIPLE**

With the implementation of GASB Statement No. 68, the Village is required to retroactively record the net pension liability and deferred outflows of resources and write-off the net pension obligation.

The Village recorded the following change in accounting principle during year ended December 31, 2015:

	<u>Increase (Decrease)</u>
<b>CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES</b>	
Change in accounting principle	
To write-off the Police Pension Plan net pension obligation	\$ 260,199
To record the Police Pension Plan net pension liability, deferred outflow of resources and deferred inflow of resources	(1,575,129)
To record the IMRF net pension liability and deferred outflows of resources	<u>(602,746)</u>
<b>TOTAL CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES</b>	<u>\$ (1,917,676)</u>
<b>CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES</b>	
To record the IMRF net pension liability and deferred outflows of resources	<u>\$ (21,777)</u>
<b>TOTAL CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES</b>	<u>\$ (21,777)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Taxes	\$ 2,418,772	\$ 2,348,772	\$ 2,252,798	\$ (95,974)
Licenses and fees	545,255	545,255	535,900	(9,355)
Intergovernmental	887,842	961,931	1,050,818	88,887
Investment income	3,500	3,500	4,198	698
Miscellaneous	49,625	49,625	60,964	11,339
<b>Total revenues</b>	<b>3,904,994</b>	<b>3,909,083</b>	<b>3,904,678</b>	<b>(4,405)</b>
<b>EXPENDITURES</b>				
Current				
General government	1,525,475	1,525,475	1,404,968	(120,507)
Building and zoning	281,434	281,434	235,681	(45,753)
Public safety	1,537,789	1,541,878	1,552,381	10,503
Public works	691,857	691,857	575,276	(116,581)
<b>Total expenditures</b>	<b>4,036,555</b>	<b>4,040,644</b>	<b>3,768,306</b>	<b>(272,338)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(131,561)</b>	<b>(131,561)</b>	<b>136,372</b>	<b>267,933</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	148,000	148,000	119,364	(28,636)
<b>Total other financing sources (uses)</b>	<b>148,000</b>	<b>148,000</b>	<b>119,364</b>	<b>(28,636)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 16,439</b>	<b>\$ 16,439</b>	<b>255,736</b>	<b>\$ 239,297</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>1,943,698</b>	
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 2,199,434</b>	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>			
Donations	\$ 270,763	\$ 592,822	\$ 322,059
Investment income	-	248	248
Total revenues	270,763	593,070	322,307
<b>EXPENDITURES</b>			
Capital outlay	-	-	-
Total expenditures	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	270,763	593,070	322,307
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(270,763)	(270,763)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>322,307</b>	<b>\$ 322,307</b>
<b>FUND BALANCE, JANUARY 1</b>		<b>296</b>	
<b>FUND BALANCE, DECEMBER 31</b>		<b>\$ 322,603</b>	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND**

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>			
Intergovernmental			
Allotments earned	\$ 186,210	\$ 196,809	\$ 10,599
Investment income	1,000	1,030	30
	<hr/>	<hr/>	<hr/>
Total revenues	187,210	197,839	10,629
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Public works			
Personnel services	80,474	81,595	1,121
Contractual services	138,500	115,903	(22,597)
Commodities	111,000	121,835	10,835
	<hr/>	<hr/>	<hr/>
Total expenditures	329,974	319,333	(10,641)
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ (142,764)</u>	<u>(121,494)</u>	<u>\$ 21,270</u>
FUND BALANCE, JANUARY 1		<hr/> 568,544	
FUND BALANCE, DECEMBER 31		<hr/> <u>\$ 447,050</u>	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>			
Licenses, permits and fees	\$ 1,241,829	\$ 1,373,146	\$ 131,317
Investment income	2,000	4,537	2,537
Miscellaneous	61,600	54,676	(6,924)
Total revenues	1,305,429	1,432,359	126,930
<b>EXPENDITURES</b>			
General government			
Economic development			
Personnel services	268,096	216,222	(51,874)
Contractual services	20,750	35,926	15,176
Building and zoning			
Contractual services	359,500	447,657	88,157
Parks and recreation			
Community events			
Personnel services	63,961	68,255	4,294
Contractual services	46,975	42,414	(4,561)
Total expenditures	759,282	810,474	51,192
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	546,147	621,885	75,738
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(1,050,000)	(650,000)	400,000
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ (503,853)</u></b>	<b><u>(28,115)</u></b>	<b><u>\$ 475,738</u></b>
<b>FUND BALANCE, JANUARY 1</b>		<u>1,428,206</u>	
<b>FUND BALANCE, DECEMBER 31</b>		<u><u>\$ 1,400,091</u></u>	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

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

For the Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>			
Taxes	\$ 342,724	\$ 332,075	\$ (10,649)
Licenses, permits and fees	296,221	215,803	(80,418)
Intergovernmental	1,500	-	(1,500)
Investment income	850	651	(199)
	<hr/>	<hr/>	<hr/>
Total revenues	641,295	548,529	(92,766)
<b>EXPENDITURES</b>			
Parks and recreation			
Administration			
Personnel services	111,723	125,448	13,725
Contractual services	17,225	17,365	140
Commodities	4,100	2,790	(1,310)
Recreation			
Personnel services	-	2,249	2,249
Commodities	44,055	16,523	(27,532)
Park maintenance			
Personnel services	230,519	211,674	(18,845)
Contractual services	1,200	2,340	1,140
Commodities	55,850	33,785	(22,065)
Capital outlay	6,000	2,428	(3,572)
Special recreation			
Contractual services	53,556	53,036	(520)
Capital outlay	95,000	126,396	31,396
	<hr/>	<hr/>	<hr/>
Total expenditures	619,228	594,034	(25,194)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<hr/>	<hr/>	<hr/>
	22,067	(45,505)	(67,572)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	<hr/>	<hr/>	<hr/>
	(98,000)	(69,364)	28,636
Total other financing sources (uses)	<hr/>	<hr/>	<hr/>
	(98,000)	(69,364)	28,636
<b>NET CHANGE IN FUND BALANCE</b>	<hr/>	<hr/>	<hr/>
	\$ (75,933)	(114,869)	\$ (38,936)
<b>FUND BALANCE, JANUARY 1</b>		<hr/>	
		413,143	
<b>FUND BALANCE, DECEMBER 31</b>		<hr/>	
		\$ 298,274	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2015

<b>Actuarial Valuation Date December 31,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry-Age</b>	<b>(3) Funded Ratio (1) / (2)</b>	<b>(4) Unfunded AAL (UAAL) (2) - (1)</b>	<b>(5) Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (4) / (5)</b>
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	\$ -	\$ 50,923	0.00%	\$ 50,923	\$ 2,086,847	2.44%
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	\$ -	\$ 126,514	0.00%	\$ 126,514	\$ 2,122,750	5.96%

N/A - Information is not available as no actuarial valuation was performed.

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2015

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	<u>2015</u>
Actuarially determined contribution	\$ 197,892
Contributions in relation to the actuarially determined contribution	<u>197,892</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 1,710,393
Contributions as a percentage of covered-employee payroll	11.57%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 29 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 4.40% to 16.00% compounded annually and postretirement benefit increases of 3.00% compounded annually.

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND**

December 31, 2015

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Actuarially determined contribution	\$ 151,347	\$ 200,879	\$ 211,652	\$ 219,588	\$ 217,155	\$ 234,261	\$ 280,551
Contributions in relation to the actuarially determined contributions	163,992	163,992	225,318	219,588	217,155	234,261	280,551
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ (12,645)</b>	<b>\$ 36,887</b>	<b>\$ (13,666)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll	\$ 656,915	\$ 629,035	\$ 680,756	\$ 683,219	\$ 692,151	\$ 771,341	\$ 979,799
Contributions as a percentage of covered employee payroll	24.96%	26.07%	33.10%	32.14%	31.37%	30.37%	28.63%

The information directly above is formatted to comply with the requirements of GASB Statement No. 67. The actuarially determined contribution is based on the projected unit credit actuarial cost method.

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2015

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<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2010	\$ -	\$ 4,304	0.00%
2011	-	4,304	0.00%
2012	-	4,304	0.00%
2013	-	6,378	0.00%
2014	-	6,378	0.00%
2015	-	23,997	0.00%

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2015

	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 164,627
Interest	220,700
Changes of benefit terms	-
Differences between expected and actual experience	201,645
Changes of assumptions	10,211
Benefit payments, including refunds of member contributions	<u>(53,152)</u>
Net change in total pension liability	544,031
Total pension liability - beginning	<u>2,898,741</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u><u>\$ 3,442,772</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employer	\$ 197,892
Contributions - member	76,967
Net investment income	11,189
Benefit payments, including refunds of member contributions	(53,152)
Other (Net Transfer)	<u>(207,005)</u>
Net change in plan fiduciary net position	25,891
Plan net position - beginning	<u>2,137,212</u>
<b>PLAN NET POSITION - ENDING</b>	<u><u>\$ 2,163,103</u></u>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<u><u>\$ 1,279,669</u></u>
Plan fiduciary net position as a percentage of the total pension liability	62.83%
Covered-employee payroll	\$ 1,710,393
Employer's net pension liability as a percentage of covered-employee payroll	74.82%

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
POLICE PENSION FUND

December 31, 2015

	<b>2014</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 269,069	\$ 248,158
Interest	256,565	313,030
Changes of benefit terms	-	-
Differences between expected and actual experience	557,497	576,324
Changes of assumptions	292,739	(96,799)
Benefit payments, including refunds of member contributions	(93,198)	(78,871)
	1,282,672	961,842
Net change in total pension liability	1,282,672	961,842
Total pension liability - beginning	3,394,239	4,676,911
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 4,676,911</b>	<b>\$ 5,638,753</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - employer	\$ 234,261	\$ 280,551
Contributions - member	79,573	106,136
Net investment income	37,981	10,741
Benefit payments, including refunds of member contributions	(93,198)	(78,871)
Administrative expense	(13,259)	(16,308)
	245,358	302,249
Net change in plan fiduciary net position	245,358	302,249
Plan net position - beginning	2,212,667	2,458,025
<b>PLAN NET POSITION - ENDING</b>	<b>\$ 2,458,025</b>	<b>\$ 2,760,274</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 2,218,886</b>	<b>\$ 2,878,479</b>
Plan fiduciary net position as a percentage of the total pension liability	52.6%	49.0%
Covered-employee payroll	\$ 771,341	\$ 979,799
Employer's net pension liability as a percentage of covered-employee payroll	287.7%	293.8%

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
POLICE PENSION FUND**

December 31, 2015

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	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	3.50%	0.41%

(See independent auditor's report.)

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

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### 1. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget was adopted for all funds except the Connection Fees Fund, the Canadian National Project Fund and the Debt Service Fund. All annual appropriations lapse at fiscal year end. Budget amendments were made in the current fiscal year.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the fourth quarter of the prior fiscal year, the Chief Financial Officer drafts an annual budget ordinance for the subsequent year to be adopted by the Village Board. This ordinance appropriates such sums of money as are deemed necessary to defray all necessary expenses and liabilities of the Village. The ordinance also specifies the objects and purposes for which these appropriations are made and the amount appropriated for each.
- b. Prior to the adoption of the budget ordinance, the Village makes the proposed ordinance conveniently available to public inspection and holds at least one public hearing subsequent to published notice.
- c. Subsequent to the public hearing and before final action is taken on the budget ordinance, the Village Board may revise, alter, increase or decrease the items contained therein.
- d. Final action to adopt the appropriation for the year ended December 31 is typically taken by the Board before year end.
- e. The Board may subsequently transfer appropriated amounts to other appropriations but not increase the overall appropriation of an individual fund without the passage of a supplemental appropriation.
- f. The legal level of budgetary control is at the fund level.
- g. Budgetary authority lapses at year end.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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**2. COMPLIANCE**

The following fund had expenditures in excess of budget in the current year:

Fund	Actual Expenditures	Final Budget	Excess
Community Development	\$ 810,474	\$ 759,282	\$ 51,192

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**MAJOR GOVERNMENTAL FUNDS**

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>TAXES</b>				
Property taxes	\$ 1,566,552	\$ 1,566,552	\$ 1,548,786	\$ (17,766)
Road and bridge tax	19,580	19,580	17,361	(2,219)
Sales tax	185,000	115,000	121,596	6,596
Utility tax	394,140	394,140	354,755	(39,385)
Telecommunication tax	251,000	251,000	203,705	(47,295)
Amusement tax	2,500	2,500	6,595	4,095
<b>Total taxes</b>	<b>2,418,772</b>	<b>2,348,772</b>	<b>2,252,798</b>	<b>(95,974)</b>
<b>LICENSES AND FEES</b>				
Licenses				
Liquor	8,325	8,325	4,525	(3,800)
Vehicle	158,800	158,800	164,880	6,080
Animal	11,800	11,800	12,175	375
Franchise	159,380	159,380	161,679	2,299
Business	10,000	10,000	9,713	(287)
<b>Total licenses</b>	<b>348,305</b>	<b>348,305</b>	<b>352,972</b>	<b>4,667</b>
Fees				
Court fines	105,000	105,000	94,100	(10,900)
Village code violations	55,000	55,000	47,555	(7,445)
Administrative adjudication hearing fees	1,500	1,500	220	(1,280)
Adjudication fines	2,500	2,500	1,470	(1,030)
Administrative impound fees	28,000	28,000	29,500	1,500
Police protection fees	4,500	4,500	9,405	4,905
Record requests	450	450	678	228
<b>Total fees</b>	<b>196,950</b>	<b>196,950</b>	<b>182,928</b>	<b>(14,022)</b>
<b>Total licenses and fees</b>	<b>545,255</b>	<b>545,255</b>	<b>535,900</b>	<b>(9,355)</b>

(This schedule is continued on the following page.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended December 31, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>INTERGOVERNMENTAL</b>				
Use tax	\$ 136,401	\$ 136,401	\$ 170,628	\$ 34,227
Income tax	749,441	749,441	815,367	65,926
Personal property replacement tax	2,000	2,000	1,885	(115)
Sales tax sharing	-	70,000	56,244	(13,756)
Grant revenue	-	4,089	6,694	2,605
<b>Total intergovernmental</b>	<b>887,842</b>	<b>961,931</b>	<b>1,050,818</b>	<b>88,887</b>
<b>INVESTMENT INCOME</b>	<b>3,500</b>	<b>3,500</b>	<b>4,198</b>	<b>698</b>
<b>MISCELLANEOUS</b>				
Public utilities	12,125	12,125	3,528	(8,597)
Yard stickers	10,000	10,000	9,334	(666)
SWALCO fee	-	-	3,185	3,185
Miscellaneous	27,500	27,500	44,917	17,417
<b>Total miscellaneous</b>	<b>49,625</b>	<b>49,625</b>	<b>60,964</b>	<b>11,339</b>
<b>TOTAL REVENUES</b>	<b>\$ 3,904,994</b>	<b>\$ 3,909,083</b>	<b>\$ 3,904,678</b>	<b>\$ (4,405)</b>

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>GENERAL GOVERNMENT</b>				
Administration				
Personnel services	\$ 398,293	\$ 398,293	\$ 327,182	\$ (71,111)
Contractual services	111,380	111,380	89,153	(22,227)
Commodities	7,845	7,845	8,209	364
Total administration	517,518	517,518	424,544	(92,974)
Legal				
Contractual services	165,500	165,500	133,564	(31,936)
Elected officials				
Personnel services	-	-	-	-
Contractual services	1,375	1,375	2,070	695
Total elected officials	1,375	1,375	2,070	695
Village clerk				
Personnel services	10,501	10,501	7,476	(3,025)
Contractual services	1,720	1,720	2,686	966
Total village clerk	12,221	12,221	10,162	(2,059)
Risk management				
Personnel services	12,861	12,861	12,956	95
Contractual services	495,600	495,600	505,076	9,476
Capital outlay	5,000	5,000	3,572	(1,428)
Total risk management	513,461	513,461	521,604	8,143
Police commission				
Contractual services	3,700	3,700	2,400	(1,300)
Commodities	-	-	38	38
Total police commission	3,700	3,700	2,438	(1,262)
Human resources				
Personnel services	55,966	55,966	54,953	(1,013)
Contractual services	15,270	15,270	18,650	3,380
Total human resources	71,236	71,236	73,603	2,367
Technology				
Contractual services	67,925	67,925	66,313	(1,612)
Total technology	67,925	67,925	66,313	(1,612)

(This schedule is continued on the following pages.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended December 31, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>GENERAL GOVERNMENT (Continued)</b>				
Finance				
Personnel services	\$ 141,644	\$ 141,644	\$ 139,508	\$ (2,136)
Contractual services	30,895	30,895	31,162	267
Total finance	172,539	172,539	170,670	(1,869)
Total general government	1,525,475	1,525,475	1,404,968	(120,507)
<b>BUILDING AND ZONING</b>				
Administration				
Personnel services	226,995	226,995	192,095	(34,900)
Contractual services	9,735	9,699	7,650	(2,049)
Commodities	1,325	1,361	811	(550)
Total administration	238,055	238,055	200,556	(37,499)
Engineering				
Personnel services	25,879	25,879	25,851	(28)
Contractual services	17,500	17,500	9,274	(8,226)
Total engineering	43,379	43,379	35,125	(8,254)
Total building and zoning	281,434	281,434	235,681	(45,753)
<b>PUBLIC SAFETY</b>				
Police administration/operations				
Personnel services	1,301,767	1,301,767	1,329,044	27,277
Contractual services	152,072	152,072	142,011	(10,061)
Commodities	55,950	60,039	41,559	(18,480)
Capital outlay	28,000	28,000	39,767	11,767
Total police administration/operations	1,537,789	1,541,878	1,552,381	10,503
Total public safety	1,537,789	1,541,878	1,552,381	10,503
<b>PUBLIC WORKS</b>				
Administration				
Personnel services	484,945	484,945	416,387	(68,558)
Contractual services	62,232	60,732	46,668	(14,064)
Commodities	113,000	114,500	81,309	(33,191)
Total administration	660,177	660,177	544,364	(115,813)

(This schedule is continued on the following page.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended December 31, 2015

---

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
<b>PUBLIC WORKS (Continued)</b>				
Building and grounds				
Contractual services	\$ 19,680	\$ 19,680	\$ 20,988	\$ 1,308
Commodities	12,000	12,000	9,924	(2,076)
Total buildings and grounds	31,680	31,680	30,912	(768)
Total public works	691,857	691,857	575,276	(116,581)
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,036,555</u>	<u>\$ 4,040,644</u>	<u>\$ 3,768,306</u>	<u>\$ (272,338)</u>

(See independent auditor's report.)

**MAJOR ENTERPRISE FUND**

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF NET POSITION  
AQUATIC CENTER ACCOUNTS

December 31, 2015

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
<b>CURRENT ASSETS</b>						
Cash and investments	\$ 8,289	\$ 104,635	\$ 62,972	\$ 256,850	\$ -	\$ 432,746
Accounts receivable	782	-	-	-	-	782
Total current assets	9,071	104,635	62,972	256,850	-	433,528
<b>NONCURRENT ASSETS</b>						
Capital assets						
Capital assets not being depreciated	417,459	-	-	-	-	417,459
Capital assets being depreciated, net	3,624,108	-	-	-	-	3,624,108
Net capital assets	4,041,567	-	-	-	-	4,041,567
Total assets	4,050,638	104,635	62,972	256,850	-	4,475,095
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension item - IMRF	12,022	-	-	-	-	12,022
Unamortized loss on refunding	35,163	-	-	-	-	35,163
Total deferred outflows of resources	47,185	-	-	-	-	47,185
Total assets and deferred outflows of resources	4,097,823	104,635	62,972	256,850	-	4,522,280
<b>CURRENT LIABILITIES</b>						
Accounts payable	398	-	-	-	-	398
Wages payable	406	-	-	-	-	406
Unearned revenue - other	160	-	-	-	-	160
Revenue bonds payable	150,000	-	-	-	-	150,000
Total current liabilities	150,964	-	-	-	-	150,964
<b>NONCURRENT LIABILITIES</b>						
IMRF net pension liability	40,387	-	-	-	-	40,387
Net revenue bonds payable	2,200,496	-	-	-	-	2,200,496
Total noncurrent liabilities	2,240,883	-	-	-	-	2,240,883
Total liabilities	2,391,847	-	-	-	-	2,391,847
<b>DEFERRED INFLOWS OF RESOURCES</b>						
None	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	2,391,847	-	-	-	-	2,391,847
<b>NET POSITION</b>						
Net investment in capital assets	1,726,234	-	-	-	-	1,726,234
Restricted						
Debt service	-	-	62,972	256,850	-	319,822
Unrestricted	(20,258)	104,635	-	-	-	84,377
<b>TOTAL NET POSITION</b>	<b>\$ 1,705,976</b>	<b>\$ 104,635</b>	<b>\$ 62,972</b>	<b>\$ 256,850</b>	<b>\$ -</b>	<b>\$ 2,130,433</b>

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
AQUATIC CENTER ACCOUNTS

For the Year Ended December 31, 2015

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
<b>OPERATING REVENUES</b>						
Charges for service	\$ 312,671	\$ -	\$ -	\$ -	\$ -	\$ 312,671
Total operating revenues	312,671	-	-	-	-	312,671
<b>OPERATING EXPENSES</b>						
Personnel services	218,518	-	-	-	-	218,518
Contractual services	73,377	-	802	-	-	74,179
Commodities	49,146	-	-	-	-	49,146
Maintenance	-	13,137	-	-	-	13,137
Depreciation	173,197	-	-	-	-	173,197
Total operating expenses	514,238	13,137	802	-	-	528,177
OPERATING INCOME (LOSS)	(201,567)	(13,137)	(802)	-	-	(215,506)
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment income	42	166	207	513	-	928
Miscellaneous	156	-	-	-	-	156
Interest expense	(1,529)	-	(111,035)	-	-	(112,564)
Total non-operating revenues (expenses)	(1,331)	166	(110,828)	513	-	(111,480)
NET INCOME (LOSS) BEFORE TRANSFERS	(202,898)	(12,971)	(111,630)	513	-	(326,986)
<b>TRANSFERS</b>						
Transfers in	145,000	-	270,763	-	(145,000)	270,763
Transfers (out)	-	-	(145,000)	-	145,000	-
Total transfers	145,000	-	125,763	-	-	270,763
CHANGE IN NET POSITION	(57,898)	(12,971)	14,133	513	-	(56,223)
NET POSITION, JANUARY 1	1,783,584	117,606	48,839	256,337	-	2,206,366
Change in accounting principle	(19,710)	-	-	-	-	(19,710)
NET POSITION, JANUARY 1, RESTATED	1,763,874	117,606	48,839	256,337	-	2,186,656
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 1,705,976</b>	<b>\$ 104,635</b>	<b>\$ 62,972</b>	<b>\$ 256,850</b>	<b>\$ -</b>	<b>\$ 2,130,433</b>

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF CASH FLOWS  
AQUATIC CENTER ACCOUNTS

For the Year Ended December 31, 2015

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 312,612	\$ -	\$ -	\$ -	\$ -	\$ 312,612
Payments to suppliers	(123,431)	(13,137)	(802)	-	-	(137,370)
Payments to employees	(212,299)	-	-	-	-	(212,299)
Miscellaneous nonoperating receipts	156	-	-	-	-	156
Net cash from operating activities	(22,962)	(13,137)	(802)	-	-	(36,901)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund loan receipts (repayments)	(5,000)	-	-	-	-	(5,000)
Transfers in	145,000	-	270,763	-	(145,000)	270,763
Transfers (out)	-	-	(145,000)	-	145,000	-
Net cash from noncapital financing activities	140,000	-	125,763	-	-	265,763
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal paid on long-term debt	(145,000)	-	-	-	-	(145,000)
Interest paid	-	-	(111,035)	-	-	(111,035)
Net cash from capital and related financing activities	(145,000)	-	(111,035)	-	-	(256,035)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	42	166	207	513	-	928
Net cash from investing activities	42	166	207	513	-	928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,920)	(12,971)	14,133	513	-	(26,245)
CASH AND CASH EQUIVALENTS, JANUARY 1	36,209	117,606	48,839	256,337	-	458,991
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 8,289</b>	<b>\$ 104,635</b>	<b>\$ 62,972</b>	<b>\$ 256,850</b>	<b>\$ -</b>	<b>\$ 432,746</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (201,567)	\$ (13,137)	\$ (802)	\$ -	\$ -	\$ (215,506)
Miscellaneous non-operating receipts	156	-	-	-	-	156
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Increase (decrease) in						
Depreciation and amortization	173,197	-	-	-	-	173,197
Pension related items	8,655	-	-	-	-	8,655
Accounts receivable	(59)	-	-	-	-	(59)
Accounts payable	(908)	-	-	-	-	(908)
Wages payable	(2,436)	-	-	-	-	(2,436)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (22,962)</b>	<b>\$ (13,137)</b>	<b>\$ (802)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (36,901)</b>

(See independent auditor's report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

Connection Fees Fund - used to account for the revenues received from connection fees and the related expenditures for sanitary sewer system related maintenance.

Sister Cities Fund - used to account for the revenues received from donations and the related expenditures for the Sister Cities program with the Village of Marineo, Sicily.

Capital Improvements Fund - used to account for other financing sources (transfers from other funds) and expenditures for capital improvements.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2015

	<b>Connection Fees</b>	<b>Sister Cities</b>	<b>Capital Improvements</b>	<b>Total</b>
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 4,294	\$ 670,866	\$ 675,160
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 4,294</b>	<b>\$ 670,866</b>	<b>\$ 675,160</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 5,970	\$ 5,970
Total liabilities	-	-	5,970	5,970
<b>FUND BALANCES</b>				
Assigned				
Capital improvements	-	-	664,896	664,896
Sister Cities	-	4,294	-	4,294
Total fund balances	-	4,294	664,896	669,190
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 4,294</b>	<b>\$ 670,866</b>	<b>\$ 675,160</b>

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	Connection Fees	Sister Cities	Capital Improvements	Total
<b>REVENUES</b>				
Investment income	\$ -	\$ 1	\$ 1,013	\$ 1,014
Miscellaneous	-	1,616	-	1,616
Total revenues	-	1,617	1,013	2,630
<b>EXPENDITURES</b>				
Capital outlay	-	-	164,972	164,972
Total expenditures	-	-	164,972	164,972
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	1,617	(163,959)	(162,342)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	600,000	600,000
Transfers (out)	(294,601)	-	-	(294,601)
Total other financing sources (uses)	(294,601)	-	600,000	305,399
NET CHANGE IN FUND BALANCES	(294,601)	1,617	436,041	143,057
FUND BALANCES, JANUARY 1	294,601	2,677	228,855	526,133
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 4,294</b>	<b>\$ 664,896</b>	<b>\$ 669,190</b>

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

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

For the Year Ended December 31, 2015

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>			
Investment income	\$ -	\$ 1	\$ 1
Miscellaneous	2,800	1,616	(1,184)
Total revenues	2,800	1,617	(1,183)
<b>EXPENDITURES</b>			
General government			
Dues	300	-	(300)
Miscellaneous	200	-	(200)
Total expenditures	500	-	(500)
NET CHANGE IN FUND BALANCE	<u>\$ 2,300</u>	1,617	<u>\$ (683)</u>
FUND BALANCE, JANUARY 1		<u>2,677</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 4,294</u>	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>			
Investment income	\$ 1,000	\$ 1,013	\$ 13
Total revenues	1,000	1,013	13
<b>EXPENDITURES</b>			
Capital outlay	596,200	164,972	(431,228)
Total expenditures	596,200	164,972	(431,228)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(595,200)	(163,959)	431,241
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,000,000	600,000	(400,000)
Total other financing sources (uses)	1,000,000	600,000	(400,000)
NET CHANGE IN FUND BALANCE	\$ 404,800	436,041	\$ 31,241
FUND BALANCE, JANUARY 1		228,855	
<b>FUND BALANCE, DECEMBER 31</b>		<b>\$ 664,896</b>	

(See independent auditor's report.)

## **FIDUCIARY FUNDS**

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF CHANGES IN PLAN NET POSITION - BUDGET AND ACTUAL  
POLICE PENSION FUND**

For the Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 280,551	\$ 280,551	\$ -
Employee	80,000	106,136	26,136
	<hr/>	<hr/>	<hr/>
Total contributions	360,551	386,687	26,136
	<hr/>	<hr/>	<hr/>
Investment income			
Net depreciation in fair value of investments	-	(15,882)	(15,882)
Interest	30,000	26,623	(3,377)
	<hr/>	<hr/>	<hr/>
Total investment income	30,000	10,741	(19,259)
	<hr/>	<hr/>	<hr/>
Total additions	390,551	397,428	6,877
	<hr/>	<hr/>	<hr/>
<b>DEDUCTIONS</b>			
Benefits and refunds	76,114	78,871	2,757
Administration	25,000	16,308	(8,692)
	<hr/>	<hr/>	<hr/>
Total deductions	101,114	95,179	(5,935)
	<hr/>	<hr/>	<hr/>
<b>NET INCREASE</b>	<u>\$ 289,437</u>	<u>302,249</u>	<u>\$ 12,812</u>
 <b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>			
January 1		<u>2,458,025</u>	
December 31		<u>\$ 2,760,274</u>	

(See independent auditor's report.)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the Year Ended December 31, 2015

**ALL FUNDS**

	<b>Balances</b>				<b>Balances</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>		<b>December 31</b>
<b>ASSETS</b>					
Cash and investments	\$ 108,802	\$ 1,105,245	\$ 1,134,281		\$ 79,766
<b>TOTAL ASSETS</b>	<b>\$ 108,802</b>	<b>\$ 1,105,245</b>	<b>\$ 1,134,281</b>		<b>\$ 79,766</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 68	\$ -		\$ 68
Due to others	108,802	1,105,177	1,134,281		79,698
<b>TOTAL LIABILITIES</b>	<b>\$ 108,802</b>	<b>\$ 1,105,245</b>	<b>\$ 1,134,281</b>		<b>\$ 79,766</b>

**SPECIAL SERVICE AREA #1  
PROJECT - DEBT SERVICE**

	<b>Balances</b>				<b>Balances</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>		<b>December 31</b>
<b>ASSETS</b>					
Cash and investments	\$ 978	\$ 269,070	\$ 265,000		\$ 5,048
<b>TOTAL ASSETS</b>	<b>\$ 978</b>	<b>\$ 269,070</b>	<b>\$ 265,000</b>		<b>\$ 5,048</b>
<b>LIABILITIES</b>					
Due to others	\$ 978	\$ 269,070	\$ 265,000		\$ 5,048
<b>TOTAL LIABILITIES</b>	<b>\$ 978</b>	<b>\$ 269,070</b>	<b>\$ 265,000</b>		<b>\$ 5,048</b>

**SPECIAL SERVICE AREA #2  
PROJECT - DEBT SERVICE**

	<b>Balances</b>				<b>Balances</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>		<b>December 31</b>
<b>ASSETS</b>					
Cash and investments	\$ 2,156	\$ 268,612	\$ 264,000		\$ 6,768
<b>TOTAL ASSETS</b>	<b>\$ 2,156</b>	<b>\$ 268,612</b>	<b>\$ 264,000</b>		<b>\$ 6,768</b>
<b>LIABILITIES</b>					
Due to others	\$ 2,156	\$ 268,612	\$ 264,000		\$ 6,768
<b>TOTAL LIABILITIES</b>	<b>\$ 2,156</b>	<b>\$ 268,612</b>	<b>\$ 264,000</b>		<b>\$ 6,768</b>

(This schedule is continued on the following page.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (Continued)  
AGENCY FUNDS

For the Year Ended December 31, 2015

**SPECIAL SERVICE AREA #3  
PROJECT - DEBT SERVICE**

	<b>Balances January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances December 31</b>
<b>ASSETS</b>				
Cash and investments	\$ 564	\$ 269,065	\$ 263,000	\$ 6,629
<b>TOTAL ASSETS</b>	<b>\$ 564</b>	<b>\$ 269,065</b>	<b>\$ 263,000</b>	<b>\$ 6,629</b>
<b>LIABILITIES</b>				
Due to others	\$ 564	\$ 269,065	\$ 263,000	\$ 6,629
<b>TOTAL LIABILITIES</b>	<b>\$ 564</b>	<b>\$ 269,065</b>	<b>\$ 263,000</b>	<b>\$ 6,629</b>

**SPECIAL SERVICE AREA #4  
PROJECT - DEBT SERVICE**

	<b>Balances January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances December 31</b>
<b>ASSETS</b>				
Cash and investments	\$ 105,104	\$ 298,498	\$ 342,281	\$ 61,321
<b>TOTAL ASSETS</b>	<b>\$ 105,104</b>	<b>\$ 298,498</b>	<b>\$ 342,281</b>	<b>\$ 61,321</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 68	\$ -	\$ 68
Due to others	105,104	298,430	342,281	61,253
<b>TOTAL LIABILITIES</b>	<b>\$ 105,104</b>	<b>\$ 298,498</b>	<b>\$ 342,281</b>	<b>\$ 61,321</b>

(See independent auditor's report.)

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page(s)</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	80-89
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	90-94
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	95-99
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	100-101
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	102-104

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

NET POSITION BY COMPONENT

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2008*</b>	<b>2009</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 12,877,625	\$ 12,816,465	\$ 12,473,431	\$ 12,100,792
Restricted	7,427,286	5,226,866	4,633,442	2,645,314
Unrestricted	996,608	(165,414)	734,102	399,477
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 21,301,519</b>	<b>\$ 17,877,917</b>	<b>\$ 17,840,975</b>	<b>\$ 15,145,583</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 2,723,992	\$ 2,345,316	\$ 2,364,709	\$ 2,080,219
Restricted	-	447,431	451,196	584,414
Unrestricted	991,922	179,705	(23,915)	85,215
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 3,715,914</b>	<b>\$ 2,972,452</b>	<b>\$ 2,791,990</b>	<b>\$ 2,749,848</b>
<b>PRIMARY GOVERNMENT</b>				
Net investment in capital assets	\$ 15,601,617	\$ 15,161,781	\$ 14,838,140	\$ 14,181,011
Restricted	7,427,286	5,674,297	5,084,638	3,229,728
Unrestricted	1,988,530	14,291	710,187	484,692
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 25,017,433</b>	<b>\$ 20,850,369</b>	<b>\$ 20,632,965</b>	<b>\$ 17,895,431</b>

\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Audited Financial Statements

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 14,011,182	\$ 13,708,354	\$ 13,503,716	\$ 13,339,396	\$ 13,237,343	\$ 10,667,939
601,458	947,427	1,082,734	1,190,127	1,463,134	1,336,030
552,494	1,458,953	2,074,808	2,516,357	3,182,950	823,797
<b>\$ 15,165,134</b>	<b>\$ 16,114,734</b>	<b>\$ 16,661,258</b>	<b>\$ 17,045,880</b>	<b>\$ 17,883,427</b>	<b>\$ 12,827,766</b>
\$ 2,219,059	\$ 1,776,874	\$ 1,746,181	\$ 1,792,569	\$ 1,755,960	\$ 3,872,338
289,252	391,676	256,819	261,253	305,176	319,822
44,699	309,489	230,834	162,010	145,230	634,399
<b>\$ 2,553,010</b>	<b>\$ 2,478,039</b>	<b>\$ 2,233,834</b>	<b>\$ 2,215,832</b>	<b>\$ 2,206,366</b>	<b>\$ 4,826,559</b>
\$ 16,230,241	\$ 15,485,228	\$ 15,249,897	\$ 15,131,965	\$ 14,993,303	\$ 14,540,277
890,710	1,339,103	1,339,553	1,451,380	1,768,310	1,655,852
597,193	1,768,442	2,305,642	2,678,367	3,328,180	1,458,196
<b>\$ 17,718,144</b>	<b>\$ 18,592,773</b>	<b>\$ 18,895,092</b>	<b>\$ 19,261,712</b>	<b>\$ 20,089,793</b>	<b>\$ 17,654,325</b>

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2008*</b>	<b>2009</b>
<b>EXPENSES</b>				
Governmental Activities				
General government	\$ 868,301	\$ 934,205	\$ 671,138	\$ 783,579
Building and zoning	999,072	1,364,665	215,819	268,409
Public safety	1,605,160	1,820,217	1,042,970	1,338,932
Public works	4,183,459	5,089,875	2,099,964	3,485,091
Parks and recreation	93,776	348,662	245,056	375,854
Interest	7,076	1,393	8,201	5,919
Total governmental activities expenses	7,756,844	9,559,017	4,283,148	6,257,784
Business-Type Activities				
Aquatics	12,525	1,048,951	438,924	571,328
Sewer	-	-	-	-
Total business-type activities expenses	12,525	1,048,951	438,924	571,328
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 7,769,369</b>	<b>\$ 10,607,968</b>	<b>\$ 4,722,072</b>	<b>\$ 6,829,112</b>
<b>PROGRAM REVENUES</b>				
Governmental Activities				
Charges for services				
General government	\$ 442,180	\$ 372,551	\$ 120,698	\$ 320,502
Building and zoning	1,029,777	1,327,363	283,861	265,401
Public safety	242,085	278,600	121,431	174,493
Public works	-	-	-	-
Parks and recreation	1,154	62,126	32,785	54,206
Operating grants and contributions	192,716	211,771	143,742	204,609
Capital grants and contributions	7,750,072	8,829	-	44,545
Total governmental activities program revenues	9,657,984	2,261,240	702,517	1,063,756
Business-Type Activities				
Charges for services				
Aquatics	-	243,291	240,828	309,440
Sewer	-	-	-	-
Capital grants and contributions	10,000	-	-	-
Total business-type activities program revenues	10,000	243,291	240,828	309,440
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 9,667,984</b>	<b>\$ 2,504,531</b>	<b>\$ 943,345</b>	<b>\$ 1,373,196</b>
<b>NET (EXPENSES) REVENUES</b>				
Governmental activities	\$ 1,901,140	\$ (7,297,777)	\$ (3,580,631)	\$ (5,194,028)
Business-type activities	(2,525)	(805,660)	(198,096)	(261,888)
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSES) REVENUES</b>	<b>\$ 1,898,615</b>	<b>\$ (8,103,437)</b>	<b>\$ (3,778,727)</b>	<b>\$ (5,455,916)</b>

	2010	2011	2012	2013	2014	2015
\$	1,320,911	\$ 1,435,196	\$ 1,202,576	\$ 1,547,590	\$ 1,433,958	\$ 1,808,015
	306,260	312,618	370,625	511,300	865,096	761,186
	1,284,492	1,302,247	1,341,417	1,287,164	1,405,975	2,386,651
	663,329	1,107,541	1,009,570	846,084	1,052,568	1,050,881
	408,582	520,390	547,137	689,946	807,156	1,031,292
	5,157	4,318	3,435	102,925	183,730	148,062
	3,988,731	4,682,310	4,474,760	4,985,009	5,748,483	7,186,087
	583,088	560,021	573,378	610,695	587,821	640,741
	-	-	-	-	-	115,912
	583,088	560,021	573,378	610,695	587,821	756,653
\$	4,571,819	\$ 5,242,331	\$ 5,048,138	\$ 5,595,704	\$ 6,336,304	\$ 7,942,740
\$	375,145	\$ 416,333	\$ 417,211	\$ 395,253	\$ 391,605	\$ 398,519
	244,825	403,122	281,282	528,395	904,290	1,199,716
	137,416	153,834	150,566	177,440	147,819	153,428
	-	446,200	20,000	44,000	69,012	-
	49,717	55,793	73,417	125,560	60,328	208,708
	235,912	318,485	239,527	265,617	340,582	201,303
	127,814	217,542	428,619	344,094	463,240	40,983
	1,170,829	2,011,309	1,610,622	1,880,359	2,376,876	2,202,657
	279,547	232,193	272,583	290,121	278,611	312,671
	-	-	-	-	-	29,567
	-	-	5,374	-	-	-
	279,547	232,193	277,957	290,121	278,611	342,238
\$	1,450,376	\$ 2,243,502	\$ 1,888,579	\$ 2,170,480	\$ 2,655,487	\$ 2,544,895
\$	(2,817,902)	\$ (2,671,001)	\$ (2,864,138)	\$ (3,104,650)	\$ (3,371,607)	\$ (4,983,430)
	(303,541)	(327,828)	(295,421)	(320,574)	(309,210)	(414,415)
\$	(3,121,443)	\$ (2,998,829)	\$ (3,159,559)	\$ (3,425,224)	\$ (3,680,817)	\$ (5,397,845)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2008*</b>	<b>2009</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities				
Taxes				
Property	\$ 1,318,803	\$ 1,457,956	\$ 1,573,980	\$ 1,644,331
Road and bridge	19,323	24,253	26,044	15,573
Sales	122,734	134,837	99,675	112,426
Amusement	-	-	-	-
Telecommunications and utility	43,887	47,303	33,390	49,460
Intergovernmental				
Use	77,395	93,356	78,486	87,123
Income	506,965	592,297	463,844	611,462
Replacement	1,722	1,996	1,190	1,621
Investment income	375,681	307,352	123,855	98,360
Miscellaneous	541,359	1,277,528	1,143,225	60,429
Transfer in	-	-	-	(191,620)
Gain on sale of capital assets	-	-	-	-
Total governmental activities	3,007,869	3,936,878	3,543,689	2,489,165
Business-Type Activities				
Investment income	144,838	56,872	11,846	11,351
Connection fees	-	-	-	-
Miscellaneous	-	5,326	6,788	5,775
Transfer in	-	-	-	191,620
Total business-type activities	144,838	62,198	18,634	208,746
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,152,707</b>	<b>\$ 3,999,076</b>	<b>\$ 3,562,323</b>	<b>\$ 2,697,911</b>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	\$ 4,909,009	\$ (3,360,899)	\$ (36,942)	\$ (2,704,863)
Business-type activities	142,313	(743,462)	(179,462)	(53,142)
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>	<b>\$ 5,051,322</b>	<b>\$ (4,104,361)</b>	<b>\$ (216,404)</b>	<b>\$ (2,758,005)</b>

\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Audited Financial Statements

	2010	2011	2012	2013	2014	2015
\$	1,655,146	\$ 1,845,400	\$ 1,839,594	\$ 1,852,159	\$ 1,886,580	\$ 1,880,861
	17,947	17,251	22,321	17,196	18,420	17,361
	98,707	113,385	116,166	127,735	179,487	177,840
	2,520	-	2,801	1,312	2,566	6,595
	362,993	653,258	603,957	607,417	600,113	558,460
	100,952	111,736	120,732	130,782	149,254	170,628
	592,076	596,510	673,328	730,133	733,685	815,367
	1,713	1,460	1,546	1,725	1,761	1,885
	47,888	18,984	13,632	8,465	201,303	159,208
	147,855	508,400	136,190	272,197	535,535	835,773
	(96,463)	(245,783)	(119,605)	(259,849)	(298,256)	(2,778,533)
	-	-	-	-	-	-
	2,931,334	3,620,601	3,410,662	3,489,272	4,010,448	1,845,445
	6,277	5,875	2,662	964	887	1,696
	-	-	-	-	-	276,000
	7,931	1,199	2,777	41,759	601	156
	96,463	245,783	119,605	259,849	298,256	2,778,533
	110,671	252,857	125,044	302,572	299,744	3,056,385
\$	3,042,005	\$ 3,873,458	\$ 3,535,706	\$ 3,791,844	\$ 4,310,192	\$ 4,901,830
\$	113,432	\$ 949,600	\$ 546,524	\$ 384,622	\$ 638,841	\$ (3,137,985)
	(192,870)	(74,971)	(170,377)	(18,002)	(9,466)	2,641,970
\$	(79,438)	\$ 874,629	\$ 376,147	\$ 366,620	\$ 629,375	\$ (496,015)

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2008*</b>	<b>2009</b>
<b>GENERAL FUND</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted				
Highway and streets	-	-	-	-
Assigned				
Cash reserves	-	-	-	-
Unassigned	-	-	-	-
Reserved	47,383	-	55,751	126,931
Unreserved	1,261,649	550,432	114,131	177,748
<b>TOTAL GENERAL FUND</b>	<b>\$ 1,309,032</b>	<b>\$ 550,432</b>	<b>\$ 169,882</b>	<b>\$ 304,679</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted				
Highway and streets	-	-	-	-
Debt service	-	-	-	-
Capital improvements	-	-	-	-
Special recreation	-	-	-	-
Assigned				
Capital improvements	-	-	-	-
Parks and recreation	-	-	-	-
Sister Cities	-	-	-	-
Unassigned	-	-	-	-
Reserved	7,379,903	5,226,866	4,605,340	2,610,178
Unreserved, reported in				
Special Revenue Funds	-	66,773	445,725	541,222
Capital Projects Funds	-	(465,318)	516,527	-
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 7,379,903</b>	<b>\$ 4,828,321</b>	<b>\$ 5,567,592</b>	<b>\$ 3,151,400</b>

\*The Village changed its fiscal year end to December 31, 2008.

\*\* The Village implemented GASB Statement No. 54 as of December 31, 2010.

Data Source

Audited Financial Statements

	<b>2010**</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$	157,867	\$ 168,988	\$ 187,049	\$ 35,145	\$ 65,615	\$ 71,296
	34,845	-	-	-	-	-
	162,763	742,454	1,173,612	1,192,322	1,332,063	1,351,238
	-	-	278,684	528,117	546,020	776,900
	-	-	-	-	-	-
	-	-	-	-	-	-
<b>\$</b>	<b>355,475</b>	<b>\$ 911,442</b>	<b>\$ 1,639,345</b>	<b>\$ 1,755,584</b>	<b>\$ 1,943,698</b>	<b>\$ 2,199,434</b>
\$	-	\$ -	\$ 867	\$ 17,332	\$ 17,332	\$ 17,852
	301,900	368,909	469,169	498,996	568,544	447,050
	17,204	-	320	6,243,097	5,749,639	5,418,760
	212,373	293,991	270,966	249,360	294,601	-
	35,136	284,527	342,279	438,674	485,350	460,220
	539,321	995,561	897,302	1,280,026	1,676,407	2,084,580
	135,987	-	28,708	27,621	-	-
	-	-	-	-	2,677	4,294
	-	-	-	-	(89,539)	(179,798)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
<b>\$</b>	<b>1,241,921</b>	<b>\$ 1,942,988</b>	<b>\$ 2,009,611</b>	<b>\$ 8,755,106</b>	<b>\$ 8,705,011</b>	<b>\$ 8,252,958</b>

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2008*</b>	<b>2009</b>
<b>REVENUES</b>				
Taxes	\$ 1,504,747	\$ 1,664,349	\$ 1,733,089	\$ 1,821,790
Licenses, permits and fees	1,689,836	1,970,632	535,720	788,389
Intergovernmental	778,798	908,249	687,262	904,815
Investment income	375,681	307,352	123,855	98,360
Contribution from property owners	3,345,218	-	-	-
Miscellaneous	566,719	1,347,536	1,166,280	131,187
<b>Total revenues</b>	<b>8,260,999</b>	<b>6,198,118</b>	<b>4,246,206</b>	<b>3,744,541</b>
<b>EXPENDITURES</b>				
General government	921,354	921,407	654,730	768,837
Building and zoning	999,072	1,365,255	215,819	215,496
Public safety	1,514,586	1,779,245	926,758	1,309,295
Public works	4,181,851	5,177,240	2,026,719	3,433,189
Parks and recreation	23,337	87,001	51,976	97,978
Capital outlay	147,158	191,351	2,284	481
Debt service				
Principal	105,307	25,514	105,881	12,592
Interest and fiscal charges	7,076	1,393	8,201	5,919
<b>Total expenditures</b>	<b>7,899,741</b>	<b>9,548,406</b>	<b>3,992,368</b>	<b>5,843,787</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>361,258</b>	<b>(3,350,288)</b>	<b>253,838</b>	<b>(2,099,246)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,505,399	1,091,000	2,501,275	982,667
Transfers (out)	(4,505,399)	(1,091,000)	(2,501,275)	(1,174,287)
Debt certificates issued at par	-	-	-	-
Premium of debt certificates issued	-	-	-	-
Installment contracts issued	-	102,809	104,883	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>102,809</b>	<b>104,883</b>	<b>(191,620)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 361,258</b>	<b>\$ (3,247,479)</b>	<b>\$ 358,721</b>	<b>\$ (2,290,866)</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<b>1.55%</b>	<b>0.30%</b>	<b>3.29%</b>	<b>0.32%</b>

\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Audited Financial Statements

	2010	2011	2012	2013	2014	2015
\$	2,137,313	\$ 2,629,294	\$ 2,584,839	\$ 2,605,818	\$ 2,651,562	\$ 2,584,873
	782,590	975,051	945,277	1,398,578	1,850,366	2,124,849
	930,653	1,203,190	1,208,133	1,140,233	1,448,439	1,247,627
	47,888	18,984	13,632	8,465	201,303	159,208
	-	-	-	30,580	114,838	-
	300,182	1,051,174	455,258	422,806	419,072	710,078
	4,198,626	5,877,693	5,207,139	5,606,480	6,685,580	6,826,635
	1,191,122	1,380,475	1,194,467	1,284,758	1,403,087	1,657,116
	313,575	268,975	330,120	468,692	790,529	683,338
	1,232,033	1,273,349	1,261,662	1,275,287	1,419,335	1,552,381
	2,935,261	853,134	784,597	802,468	947,117	894,609
	142,531	251,742	280,814	359,201	574,735	704,703
	127,814	328,690	422,837	456,632	318,824	164,972
	13,353	14,193	15,076	46,597	605,000	645,000
	5,157	4,318	3,435	102,925	190,678	155,469
	5,960,846	4,374,876	4,293,008	4,796,560	6,249,305	6,457,588
	(1,762,220)	1,502,817	914,131	809,920	436,275	369,047
	36,856	97,629	466,250	216,827	409,940	719,364
	(133,319)	(343,412)	(585,855)	(476,676)	(708,196)	(1,284,728)
	-	-	-	6,240,000	-	-
	-	-	-	71,663	-	-
	-	-	-	-	-	-
	(96,463)	(245,783)	(119,605)	6,051,814	(298,256)	(565,364)
\$	(1,858,683)	\$ 1,257,034	\$ 794,526	\$ 6,861,734	\$ 138,019	\$ (196,317)
	0.32%	0.43%	0.45%	3.27%	13.42%	12.55%

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Levy Years

<b>Levy Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Farm Property</b>	<b>Railroad Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate (A)</b>	<b>Estimated Actual Taxable Value</b>	<b>Estimated Actual Taxable Value</b>
2005	\$ 367,957,407	\$ 3,981,627	\$ 1,936,706	\$ 4,263	\$ 373,880,003	0.355	\$ 1,121,640,009	33.333%
2006	418,880,744	3,312,752	2,409,922	4,587	424,608,005	0.346	1,273,824,015	33.333%
2007	467,631,887	5,976,372	2,068,251	6,233	475,682,743	0.333	1,427,048,229	33.333%
2008	485,176,796	6,080,326	2,417,801	8,509	493,683,432	0.334	1,481,050,296	33.333%
2009	490,523,955	6,478,337	2,947,908	9,745	499,959,945	0.331	1,499,879,835	33.333%
2010	475,634,164	6,378,401	2,868,569	48,726	484,929,860	0.381	1,454,789,580	33.333%
2011	432,886,729	6,690,474	2,975,100	44,489	442,596,792	0.416	1,327,790,376	33.333%
2012	392,631,863	7,087,727	2,530,103	35,767	402,285,460	0.460	1,206,856,380	33.333%
2013	377,383,011	6,382,113	2,615,038	79,320	386,459,482	0.489	1,159,378,446	33.333%
2014	376,346,323	6,945,173	2,369,686	92,883	385,754,065	0.489	1,157,262,195	33.333%

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

Note: 2015 property tax information not available at the time of printing.

Data Source

Office of the Lake County Clerk

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
ELA TOWNSHIP**

Last Ten Levy Years

<b>Tax Levy Year</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Village Direct Rates (A)</b>				
Corporate	0.224	0.224	0.222	0.044
Police protection	0.054	0.051	0.047	0.167
Street and bridge - Ela	0.048	0.043	0.037	0.096
Audit tax	0.005	0.003	0.003	0.003
Liability insurance	0.014	0.012	0.011	0.000
Unemployment insurance	0.000	0.000	0.000	0.011
Special recreation	0.010	0.013	0.013	0.013
Total direct rate without SSAs	0.355	0.346	0.333	0.334
<b>Special Service Areas</b>				
SSA #1	0.260	0.249	0.231	0.223
SSA #2	0.219	0.170	0.148	0.139
SSA #3	0.234	0.228	0.209	0.210
Total direct rate with SSAs	1.068	0.993	0.921	0.906
<b>Overlapping Rates</b>				
Lake County	0.454	0.450	0.444	0.453
Lake County Forest Preserve	0.210	0.204	0.201	0.199
Ela Township - Corp	0.085	0.086	0.082	0.084
Ela Township - R & B	0.010	0.010	0.010	0.005
Ela Township - Gravel	0.030	0.032	0.032	0.038
School District #95	4.040	3.992	3.830	3.899
School District #96	3.000	2.989	2.772	2.869
School District #79	2.565	2.529	2.379	2.435
Consolidated H.S. District #125	2.112	2.134	2.114	2.139
Community College #532	0.197	0.195	0.192	0.196
Ela Area Library	0.323	0.317	0.306	0.308
Countryside Fire District	0.400	0.398	0.390	0.417
Lake Zurich Fire District	0.493	0.511	0.547	0.561
Wauconda Fire District	0.434	0.425	0.421	0.432
Long Grove Fire District	0.526	0.549	0.547	0.549
<b>TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION</b>	<b>15.947</b>	<b>15.814</b>	<b>15.188</b>	<b>15.490</b>
<b>SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE OF HAWTHORN WOODS</b>	<b>3.9%</b>	<b>3.8%</b>	<b>3.7%</b>	<b>3.6%</b>

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

(B) SSA #1 only is included in the share of total tax rate levied by the Village.

Notes: 2015 information is not available.

The Village lies in Ela Township and Fremont Township. Only Ela Township is reflected as it represents 78% of the Village's assessed valuation.

Data Source

Office of the County Clerk

2009	2010	2011	2012	2013	2014
0.018	0.086	0.061	0.068	0.124	0.128
0.166	0.147	0.190	0.229	0.239	0.242
0.074	0.079	0.092	0.087	0.047	0.028
0.004	0.004	0.005	0.005	0.006	0.005
0.000	0.025	0.028	0.031	0.033	0.046
0.029	0.000	0.000	0.000	0.000	0.000
0.040	0.040	0.040	0.040	0.040	0.040
0.331	0.381	0.416	0.460	0.489	0.489
0.221	0.229	0.253	0.279	0.267	0.267
0.132	0.135	0.149	0.166	0.161	0.165
0.204	0.214	0.242	0.271	0.259	0.261
0.888	0.959	1.060	1.176	1.176	1.182
0.464	0.505	0.554	0.608	0.663	0.682
0.200	0.198	0.201	0.212	0.218	0.210
0.084	0.091	0.099	0.088	0.100	0.100
0.007	0.008	0.009	0.010	0.057	0.055
0.036	0.039	0.042	0.030	0.000	0.000
3.901	4.136	4.446	4.914	5.242	5.291
2.916	3.086	3.453	3.756	3.976	4.040
2.485	2.663	2.937	3.267	3.521	3.606
2.185	2.306	2.465	2.751	2.989	3.049
0.200	0.218	0.240	0.272	0.296	0.306
0.308	0.329	0.356	0.386	0.409	0.410
0.421	0.422	0.495	0.552	0.597	0.613
0.564	0.607	0.504	0.654	0.695	0.705
0.442	0.480	0.530	0.614	0.681	0.709
0.599	0.616	0.692	0.766	0.812	0.830
15.700	16.663	18.083	20.056	21.432	21.788
3.5%	3.7%	3.7%	3.7%	3.5%	3.5%

VILLAGE OF HAWTHORN WOODS, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2014 Tax Levy			2015 Tax Levy		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Hawthorn Woods Country Club LLC	\$ 1,469,558	1	0.38%			
Hawthorn 45 LLC	1,292,804	2	0.34%			
Icon Development Group, LLP	778,008	3	0.20%			
Aqua Illinois, Inc. Regional Office	761,168	4	0.20%			
Toll Brothers, Inc.	623,421	5	0.16%	\$ 10,743,770	1	2.87%
First Bank	599,233	6	0.16%			
Icon Development Group, LLP	594,328	7	0.15%			
Tauke Properties, Inc	489,150	8	0.13%			
AGP Investments, LLC	480,149	9	0.12%			
Starzwood Development, Inc	459,918	10	0.12%			
Toll IL HWCC, LP				1,828,892	2	0.49%
Individual				883,015	3	0.24%
Parkway Bank & Trust Company				762,060	4	0.20%
C/O Toll Brothers				679,054	5	0.18%
White Birch Meadows, LLC				522,956	6	0.14%
White Birch Development Company				458,012	7	0.12%
Individual				436,500	8	0.12%
Individual				399,354	9	0.11%
Individual				367,975	10	0.10%
	<u>\$ 7,547,737</u>		<u>1.96%</u>	<u>\$ 17,081,588</u>		<u>4.57%</u>

Notes: 2015 information is not available.

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

Data Source

Office of the Lake County Clerk

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Levy Years

<b>Levy Year</b>	<b>Tax Levied (B)</b>	<b>Levy Collections</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>
2006	\$ 2,334,932	\$ 2,332,597	99.90%
2007	2,603,490	2,569,122	98.68%
2008	2,887,799	2,711,355	93.89%
2009	2,523,480	2,539,642	100.64%
2010	2,855,937	2,869,938	100.49%
2011	2,859,307	2,857,044	99.92%
2012	3,063,563	3,062,408	99.96%
2013	3,021,539	2,923,682	96.76%
2014	3,047,059	3,003,311	98.56%
2015(A)	2,978,682	N/A	N/A

(A) Collections for the 2015 Tax Levy Year will not be received until fiscal year 2016.

(B) Tax levied reflects total amount extended and billed by Lake County.

Notes: Property in the Village is reassessed each year. Property is assessed at 33% of actual value. Collection of property tax in subsequent years is immaterial.

Data Source

Office of the County Clerk

VILLAGE OF HAWTHORN WOODS, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Debt Certificates, Net of Premium	Installment Contracts Payable	General Obligation Bonds	Revenue Bonds Payable	Revenue Bonds Unamortized Premium			
2007	\$ -	\$ -	\$ 25,514	\$ -	\$ -	\$ -	\$ 25,514	0.01%	\$ 4
2008	-	-	102,809	-	2,805,000	-	2,907,809	0.98%	377
2008**	-	-	101,811	-	2,805,000	-	2,906,811	0.98%	377
2009	-	-	89,219	-	2,805,000	-	2,894,219	0.98%	375
2010	-	-	75,866	-	2,570,000	-	2,645,866	0.80%	345
2011	-	-	61,673	-	2,895,000	13,456	2,970,129	0.90%	388
2012	-	-	46,597	-	2,760,000	12,380	2,818,977	0.85%	366
2013	-	6,311,663	-	-	2,625,000	11,774	8,948,437	2.71%	1,168
2014	-	5,699,715	-	-	2,485,000	11,146	8,195,861	2.48%	1,070
2015	-	5,047,308	-	-	2,340,000	10,496	7,397,804	2.24%	965

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

\*See the schedule of Demographic and Economic Information on page 100 for personal income and population data.

\*\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Audited Financial Statements

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years

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The Village of Hawthorn Woods has had no General Bonded Debt Outstanding in the last ten fiscal years.

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

December 31, 2015

<b>Governmental Unit</b>	<b>Gross Debt (A)</b>	<b>Percentage Debt Applicable to the Village (B)</b>	<b>Village's Share of Debt</b>
Village of Hawthorn Woods	\$ 5,047,308	100.000%	\$ 5,047,308
Lake County, including Forest Preserve District	386,040,000	1.684%	6,581,982
Ela Area Public Library District	3,195,000	18.917%	599,382
Fremont Public Library District	2,805,000	8.154%	224,204
Mundelein Park District	835,000	67.000%	576
Countryside Fire Protection District	3,990,000	11.538%	455,578
School District #79	21,355,000	22.439%	4,713,262
School District #96	405,000	1.358%	6,460
Community Unit School District #95	16,977,872	14.243%	2,393,201
High School District #120	21,534,460	6.701%	1,423,643
High School District #125	33,420,000	3.294%	1,122,244
Community College District #532	<u>72,220,000</u>	1.776%	<u>1,298,516</u>
<b>TOTAL OVERLAPPING DEBT</b>	<u>\$ 562,777,332</u>		<u>\$ 18,819,048</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u>\$ 567,824,640</u>		<u>\$ 23,866,356</u>

(A) Gross debt is calculated as of December 31, 2015.

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

(C) Overlapping percentages are based on 2014 EAVs, the most current available.

Data Source

Office of the Lake County Clerk

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**PLEDGED REVENUE COVERAGE**

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Revenues*</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2007	\$ -	\$ -	\$ -	\$ -
2008	272,027	-	-	-
2008**	291,643	-	133,238	2.19
2009	316,726	-	133,238	2.38
2010	287,478	235,000	127,300	0.79
2011	233,618	105,000	96,805	1.16
2012	275,360	135,000	120,610	1.08
2013	290,583	135,000	117,910	1.15
2014	279,196	140,000	114,535	1.10
2015	312,954	145,000	111,035	1.22

Revenue Bonds were issued June 15, 2007; no principal or interest payments were required during fiscal year 2008.

\*As defined in applicable bond indentures and governing laws.

\*\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Village records

**VILLAGE OF HAWTHORN WOODS, ILLINOIS**

**SCHEDULE OF LEGAL DEBT MARGIN**

December 31, 2015

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Maximum allowable general obligation debt (8.625% of assessed valuation of \$385,754,065)	\$ 33,271,288
General obligation bonds	<u>-</u>
<b>LEGAL DEBT MARGIN</b>	<b><u><u>\$ 33,271,288</u></u></b>

Data Source

Village records

# VILLAGE OF HAWTHORN WOODS, ILLINOIS

## DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>(1) Population</b>	<b>(1) Personal Income</b>	<b>(1) Per Capita Personal Income</b>	<b>(2) Unemployment Rate</b>
2007	6,002	\$ 296,174,692	\$ 49,346	4.6%
2008	7,716	380,753,736	49,346	5.1%
2008*	7,716	380,753,736	49,346	6.2%
2009	7,716	380,753,736	49,346	9.9%
2010	7,663	330,727,417	43,159	10.6%
2011	7,663	330,727,417	43,159	8.6%
2012	7,663	330,727,417	43,159	8.7%
2013	7,663	330,727,417	43,159	8.2%
2014	7,663	330,727,417	43,159	6.2%
2015	7,663	330,727,417	43,159	6.1%

\*The Village changed its fiscal year end to December 31, 2008.

### Data Sources

(1) U.S. Department of Commerce, Bureau of the Census

(2) Illinois Bureau of Employment Security

VILLAGE OF HAWTHORN WOODS, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	% of Total Village Population	Employees	Rank	% of Total Village Population
Community Unit School District -						
Spencer Loomis	70.0	1	0.9%	90.0	1	1.5%
Kemper Sports	55.0	2	0.7%	70.0	2	1.2%
Barn Nursery	50.0	3	0.7%	22.0	6	0.4%
Village of Hawthorn Woods	36.0	4	0.4%	30.5	5	0.5%
Hawthorn Gardens	33.0	5	0.3%	27.0	4	0.5%
St. Matthew Lutheran Church and School	20.0	6	0.3%	19.0	8	0.3%
Country Bumpkin	17.0	7	0.2%	20.0	7	0.3%
Toddler Tyme	13.0	8	0.2%	13.0	10	0.2%
RH Insurance	11.0	9	0.1%	14.0	9	0.2%
Oreganos	10.0	10	0.1%	-		
Toll Brothers	-			45.0	3	0.8%
<b>TOTAL</b>	<b>315</b>			<b>351</b>		

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2007	2008	2008*	2009	2010	2011	2012	2013	2014	2015
<b>GENERAL GOVERNMENT</b>										
Administration	3.0	3.0	3.0	3.0	3.0	2.0	4.0	4.0	2.0	3.0
Finance	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Building and zoning	3.5	1.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0	4.0
Parks and recreation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	5.0
<b>PUBLIC SAFETY</b>										
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Officers	15.0	11.0	11.0	8.0	9.0	9.0	9.0	9.0	10.0	12.0
<b>HIGHWAYS AND STREETS</b>										
Administration	2.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0
Street maintenance	5.0	3.0	3.0	3.0	3.0	5.0	5.0	6.0	6.0	6.0
<b>TOTAL</b>	<b>32.5</b>	<b>22.0</b>	<b>22.0</b>	<b>19.0</b>	<b>21.0</b>	<b>22.0</b>	<b>25.0</b>	<b>26.0</b>	<b>28.0</b>	<b>36.0</b>

\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

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Function/Program	2007	2008	2008*	2009	2010	2011	2012	2013	2014	2015
<b>PUBLIC SAFETY</b>										
Police										
Physical arrests	232	212	146	119	115	138	132	81	70	79
Parking violations	257	508	405	871	680	638	767	1,426	1,011	662
Traffic violations	3,734	2,624	1,493	2,386	2,170	2,009	1,235	1,783	743	1,028
<b>PUBLIC WORKS</b>										
Vehicles maintained by department	20.0	20.0	16.0	20.0	20.0	20.0	21.0	22.0	24.0	25.0
Street reconstruction (miles)	4.5	3.0	-	0.5	-	-	-	-	-	-
Street resurfacing (miles)	1.0	2.0	6.0	4.5	-	-	-	-	-	-

\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Various Village departments

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	2007	2008	2008*	2009	2010	2011	2012	2013	2014	2015
<b>PUBLIC SAFETY</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Area patrols	2	2	2	2	2	2	2	2	2	2
Patrol units	16	10	10	8	8	8	8	8	8	8
<b>PUBLIC WORKS</b>										
Miles of streets	47.4	58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0
Streetlights	38	38	38	38	38	38	38	38	53	53
Traffic signals	2	2	2	2	2	2	2	2	2	2
<b>WASTEWATER</b>										
Miles of storm sewers	24	24	24	24	24	24	24	24	24	24
Miles of sanitary sewers	-	-	-	-	-	-	0.5	0.5	0.5	0.5
Miles of forcemain	-	-	-	-	-	-	2.4	2.4	2.4	2.4
Lift stations	-	-	-	-	-	-	2	2	2	2

\*The Village changed its fiscal year end to December 31, 2008.

Data Source

Various Village departments