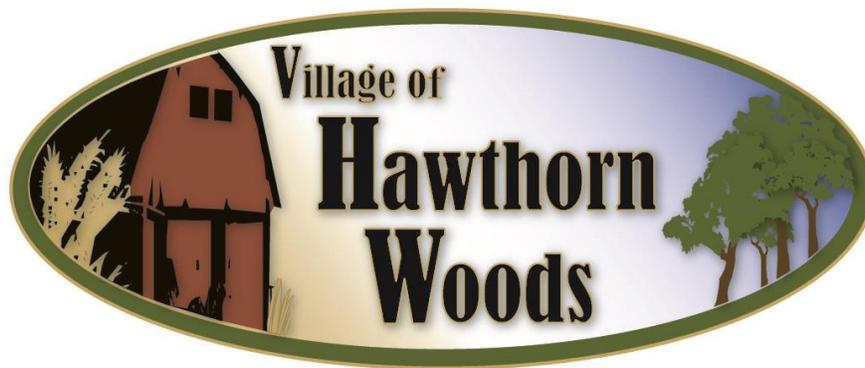


**VILLAGE OF
HAWTHORN WOODS, ILLINOIS**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
December 31, 2016

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, 2016

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

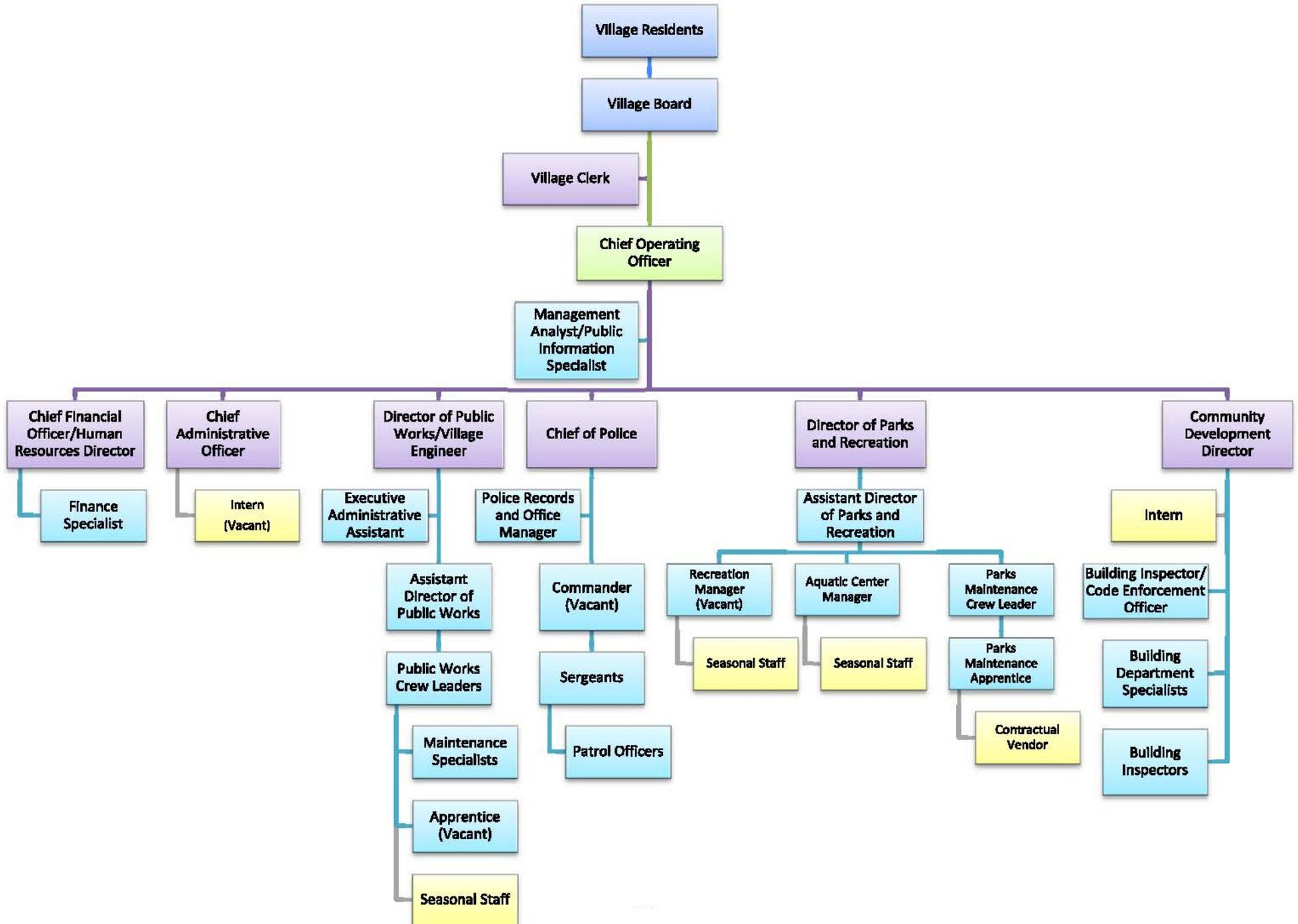
Chief of Police
Jennifer Paulus

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**

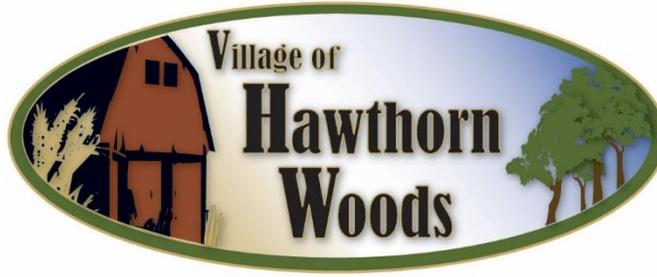
Presented to

**Village of Hawthorn Woods
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



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

April 18, 2017

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, 2016 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, 2016. 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 31st 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 development revenue stream is based on the choice location of its land and the premier value of its residential base. In 2016, The Village of Hawthorn Woods invested in a research firm, AECOM, to project economic trends and demographic information to better facilitate planning for development of the downtown and uptown areas. The Village continues to have a strong new housing market, having issued 78 new home permits in 2016, 74 new home permits in 2015, and 36 new home permits in 2014. The Village Board approved the Stonebridge Development in August of 2015, which was subsequently recorded in June of 2016, with approval to build 60 new homes. There have been 2 permits issued from the Stonebridge development to date, with a third permit under review.

In addition, sales tax revenues and income tax revenue collections have remained steady over the past few years. Due to an intergovernmental tax sharing agreement with the Villages of Lake Zurich and Kildeer, the Village of Hawthorn Woods is receiving shared sales tax revenue generated at Quentin Road and Route 22 from Mariano's and McDonalds. Additional revenue may be generated in the future as the remaining parcels develop. Although the economy is showing signs of improvement, the Village remains vigilant in aggressively monitoring operating and capital expenditures to sustain its financial stability. The Village continues to work toward diversifying its sales tax base, with discussions underway for a sit down/catering restaurant and basement refinishing business in town.

Long-term Financial Planning

The budget for the twelve months ended December 31, 2017 is balanced. The focus for managing the 2017 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, 2016, the fund balance in the general fund is \$1,474,246, which is equal to 36% of the 2017 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 2016 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.

An Economic Development study is nearing completion from AECOM, a national consulting firm retained by the Village of Hawthorn Woods to guide the land planning of the downtown and uptown areas. Discussions regarding utility expansion services and capacity standards for water and sewer service are

underway. In order to comply with a growing demand for potable water, The Village of Hawthorn Woods is working with Aqua Illinois to select a location and design of the Village's first elevated water tower that will serve the needs of a growing population.

Additionally, land parcel annexations are still anticipated in the future for Village growth expansion opportunities.

Hawthorn Woods leads the surrounding communities in new housing construction starts as a result of our recent home building success. William Ryan Homes is underway with the development of 60 new homes in the Stonebridge development located off of Old McHenry Road. Additionally, there is a national homebuilder in discussions with the Village of Hawthorn Woods for development considerations in 2017. As these land plans work their way through the entitlement process, the 2017 budget conservatively reflects this growth in development 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, 2015. This was the eleventh (11th) 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 MBA CPFO
Chief Financial Officer

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Village Mayor
Members of the Board of Trustees
Village of 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, 2016 and the related notes to 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, 2016, 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.

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.

Sikich LLP

Naperville, Illinois
April 18, 2017

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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 \$17,575,357 as of December 31, 2016. Unrestricted net position (net position used to meet ongoing operations) totaled \$1,521,571. Restricted net position totaled \$1,760,865 and net position invested in capital assets totaled \$14,292,921.
- The Village's net position decreased as a result of this year's operations. While net position of business-type activities increased by \$581,350, or 12.0 percent, net position of the governmental activities decreased by \$1,100,948, or 8.3 percent. There are two primary reasons for the decrease in governmental-type activities net position: \$560,000 in park donation revenue was transferred from the Park Donation fund (governmental activity) to the Aquatic Center fund (business-type activity) as required by bond covenants. In addition, the net pension liability increased for both the Illinois Municipal Retirement Fund (\$261,500) and the Police Pension Plan (\$138,047). The primary reason for the increase in the net position for the business-type activities relates to the transfer of park donation revenue discussed above.
- Capital assets net of depreciation totaled \$16,459,835 as of December 31, 2016, a decrease of \$395,775, due primarily to depreciation expense for the year ended December 31, 2016 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 3 - 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, 2016

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 3 - 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, 2016

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, Motor Fuel Tax Fund, Community Development Fund, Parks and Recreation, Park Donation Fund, Capital Improvements Fund, and the Debt Service Fund, all of which are considered major funds. The Village also reports two non-major governmental funds: the Sister Cities Fund and the Canadian National Project Fund.

The Village adopts an annual appropriated budget for all of the governmental funds, (except the Canadian National Project 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 - 12 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 13 - 15 of this report.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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 16 - 17 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 18 - 53 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 54 - 66 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 54 - 57. 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 67 - 82 of this report.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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 \$17,575,357.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015
Current and Other Assets	\$ 12,286,571	\$ 13,397,044	\$ 1,677,212	\$ 995,966	\$ 13,963,783	\$ 14,393,010
Capital Assets	10,507,396	10,667,939	5,952,439	6,187,671	16,459,835	16,855,610
Deferred Outflows	1,545,917	1,022,070	53,207	48,445	1,599,124	1,070,515
Total Assets & Deferred Outflows	24,339,884	25,087,053	7,682,858	7,232,082	32,022,742	32,319,135
Other Liabilities	1,095,919	1,744,544	14,043	160,406	1,109,962	1,904,950
Long-Term Debt	8,492,524	8,569,504	2,244,444	2,245,117	10,736,968	10,814,621
Deferred Inflows	2,600,455	1,945,239	-	-	2,600,455	1,945,239
Total Liabilities & Deferred Inflows	12,188,898	12,259,287	2,258,487	2,405,523	14,447,385	14,664,810
Net Position						
Invested in Capital Assets	10,507,396	10,667,939	3,785,525	3,872,338	14,292,921	14,540,277
Restricted	974,040	1,336,030	786,825	319,822	1,760,865	1,655,852
Unrestricted (Deficit)	669,550	823,797	852,021	634,399	1,521,571	1,458,196
Total Net Position	\$ 12,150,986	\$ 12,827,766	\$ 5,424,371	\$ 4,826,559	\$ 17,575,357	\$ 17,654,325

A large portion of the Village's net position, \$14,292,921 or 81.3 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, \$1,760,865 or 10.0 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, 2016, the Village is reporting unrestricted net position of \$1,521,571 or 8.7 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, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015
Revenues						
Program Revenues						
Charges for Services	\$ 1,938,626	\$ 1,960,371	\$ 467,959	\$ 342,238	\$ 2,406,585	\$ 2,302,609
Operating Grants/Contrib.	208,033	201,303	-	-	208,033	201,303
Capital Grants/Contrib.	107,599	40,983	-	-	107,599	40,983
General Revenues						
Property Taxes	1,926,474	1,880,861	-	-	1,926,474	1,880,861
Road and Bridge Taxes	17,532	17,361	-	-	17,532	17,361
Sales Taxes	182,942	177,840	-	-	182,942	177,840
Income and Use Taxes	928,505	985,995	-	-	928,505	985,995
Replacement Taxes	1,662	1,885	-	-	1,662	1,885
Telecomm./Utility Taxes	539,486	558,460	-	-	539,486	558,460
Other General Revenues	974,019	1,001,576	371,215	277,852	1,345,234	1,279,428
Total Revenues	6,824,878	6,826,635	839,174	620,090	7,664,052	7,446,725
Expenses						
General Government	2,027,037	1,808,015	-	-	2,027,037	1,808,015
Building and Zoning	1,022,469	761,186	-	-	1,022,469	761,186
Public Safety	1,914,277	2,386,651	-	-	1,914,277	2,386,651
Public Works	1,241,242	1,050,881	-	-	1,241,242	1,050,881
Parks and Recreation	1,025,804	1,031,292	-	-	1,025,804	1,031,292
Interest on Long-Term Debt	134,997	148,062	-	-	134,997	148,062
Aquatics	-	-	660,247	640,741	660,247	640,741
Sewer	-	-	157,577	115,912	157,577	115,912
Total Expenses	7,365,826	7,186,087	817,824	756,653	8,183,650	7,942,740
Change in Net Position Before Transfers	(540,948)	(359,452)	21,350	(136,563)	(519,598)	(496,015)
Transfers	(560,000)	(2,778,533)	560,000	2,778,533	-	-
Change in Net Position	(1,100,948)	(3,137,985)	581,350	2,641,970	(519,598)	(496,015)
Net Position-Beginning	12,827,766	17,883,427	4,826,559	2,206,366	17,654,325	20,089,793
Change in Accounting Principle	455,668	(1,917,676)	16,462	(21,777)	472,130	(1,939,453)
Prior Period Adjustment	(31,500)	-	-	-	(31,500)	-
Net Position-Beginning, as Restated	13,251,934	15,965,751	4,843,021	2,184,589	18,094,955	18,150,340
Net Position-Ending	\$ 12,150,986	\$ 12,827,766	\$ 5,424,371	\$ 4,826,559	\$ 17,575,357	\$ 17,654,325

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

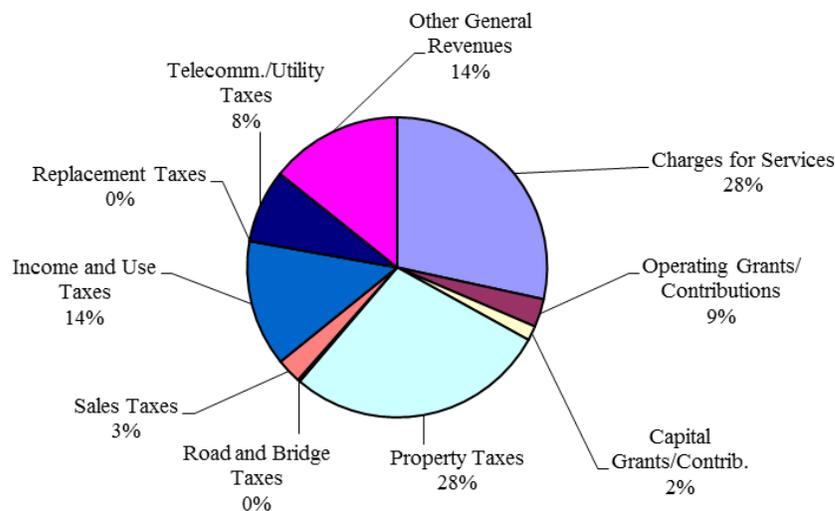
Net position of the Village's governmental activities decreased by 8.3 percent (\$12,150,986 as of December 31, 2016 compared to \$13,251,934, as of December 31, 2015), as restated. There are two primary reasons for the decrease in governmental-type activities net position: \$560,000 in park donation revenue was transferred from the Park Donation fund (governmental activity) to the Aquatic Center Debt fund (business-type activity) as required by bond covenants. In addition, the net pension liability increased for both the Illinois Municipal Retirement Fund (\$261,500) and the Police Pension Plan (\$138,047). 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 12.0 percent (\$5,424,371 as of December 31, 2016 compared to \$4,843,021 as of December 31, 2015). The primary reason for the increase in business-type activities net position relates to the \$560,000 in park donation revenue that was transferred from the Park Donation fund (governmental activity) to the Aquatic Center fund (business-type activity) as required by bond covenants.

Governmental Activities

Revenues for governmental activities totaled \$6,824,878, while the cost of all governmental functions totaled \$7,365,826. This results in a decrease in net position before transfers and change in accounting principle of \$540,948. For the year ended December 31, 2015, revenues of \$6,824,635 were less than expenses of 7,186,087, resulting in a decrease in net position before transfers of \$359,452. 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, 2016**



VILLAGE OF HAWTHORN WOODS, ILLINOIS

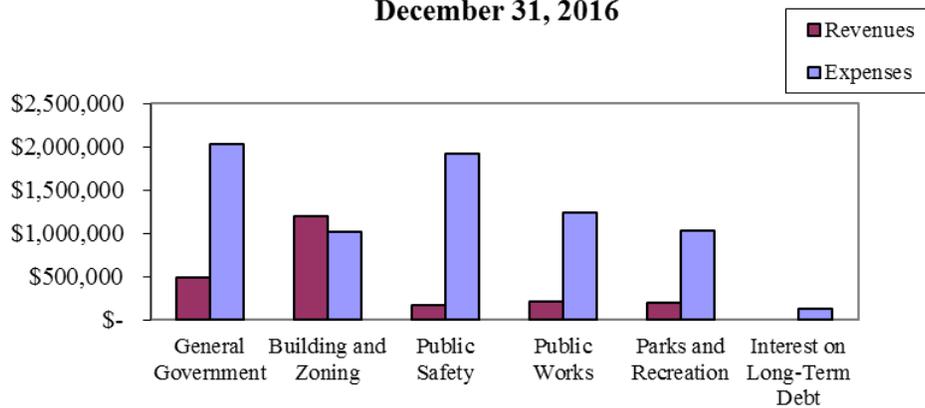
**Management’s Discussion and Analysis
December 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued

The ‘Expenses and Program Revenues – Governmental Activities’ Table identifies those governmental functions where program expenses greatly exceed revenues.

**Expenses and Program Revenues - Governmental Activities
December 31, 2016**

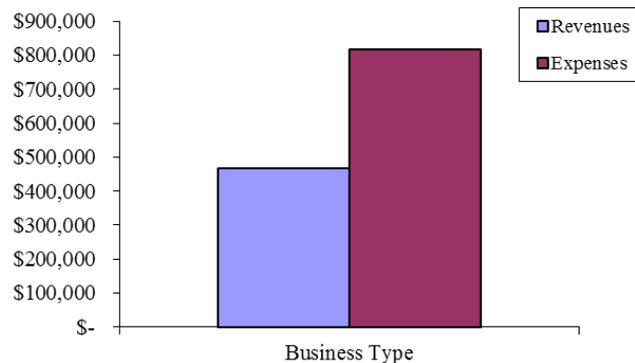


Business-Type activities

Business-Type activities posted total revenues of \$467,959, while the cost of all business-type activities totaled \$817,824. This results in a decrease in net position before transfers of \$349,865. 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, 2015, revenues of \$620,090 were less than expenses of \$756,653, resulting in a decrease in net position before transfers of \$136,563.

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

Expenses and Program Revenues - Business-Type Activities December 31, 2016



VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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 \$9,250,866, which is \$1,201,526 or 11.5 percent, lower than last year's total of \$10,452,392. Of the \$9,250,866 total, \$60,610, or 0.7 percent, of the fund balance constitutes nonspendable fund balance; \$5,309,040 or 57.4 percent of the fund balance is restricted for highways and streets, debt service, capital improvements, and special recreation; \$4,004,236, or 43.3 percent of the fund balance is assigned for cash reserves, capital improvements and the sister cities program; and (\$123,020) or (1.3%) percent is unassigned.

The General Fund reported a decrease in fund balance for the year ended December 31, 2016 of \$725,188, a decrease of 33.0 percent. The primary reason for the decrease is an \$800,000 transfer of excess General Fund fund balance reserves to the Capital Improvement Fund. As of December 31, 2016, the Village achieved its fund balance goal of an ending fund balance at least 35% of the following year's expenditure budget; \$1,420,913 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 a decrease in fund balance in the current year of \$300,746 due primarily to the transfer of the park donation revenue to the Aquatic Center Fund. Ending fund balance at December 31, 2016 was \$21,857.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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 \$78,153. This decrease in fund balance was planned in the 2016 budget and related to the street patching/crack sealing program. Ending fund balance at December 31, 2016 was \$368,897.

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 a decrease in fund balance in the current year of \$121,558 due primarily to a \$400,000 transfer of excess fund balance to the Capital Improvement Fund. This transfer was partially offset by positive revenue variances. Permits were \$394,829 higher than budgeted. Expenditures were \$488,844 higher than budgeted due to increased inspections required by the additional permit revenue. Ending fund balance at December 31, 2016 was \$1,247,033.

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 an increase in fund balance in the current year of \$64,626 due primarily to cost savings experienced from outsourcing the park mowing versus using Village staff for this function. Ending fund balance at December 31, 2016 was \$362,900.

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, 2016 was \$4,439,643.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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 increase in net position before the change in accounting principle in the Aquatics Fund during the current fiscal year was \$324,842, while the previous fiscal year reported a decrease in net position of \$56,223. The primary reason for this increase is attributable to the transfer of park donation revenue, per the bond covenants. Unrestricted net position in the Aquatics Fund totaled (\$23,136) at December 31, 2016.

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 \$256,508. The primary reason for the increase relates to connection fees collected exceeding the expenses to operate and maintain the sanitary sewer. Unrestricted net position in the Sewer Fund totaled \$875,157 at December 31, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues for the year totaled \$3,766,467, compared to budgeted revenues of \$3,835,505. There are several reasons for the negative variance: revenues were \$69,038 lower than budgeted. Significant positive revenue variances included intergovernmental revenue (\$26,355 higher than budgeted and miscellaneous revenue (\$18,080 higher than budgeted.) These positive revenue variances were offset by negative variances in taxes (\$80,260 lower than budgeted) and licenses and fees (\$34,372 lower than budgeted.)

The General Fund actual expenditures for the year were \$126,820 less than budgeted (\$3,967,839 actual compared to a final budget of \$4,094,659). Some significant differences between the actual expenditures and budgeted expenditures are highlighted below:

- The administration function reported actual expenditures of \$444,606 compared to budget of \$490,390, resulting in a positive variance of \$45,784. This positive variance was primarily due to a decision to defer the hiring of an 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, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued

- The legal function reported actual expenditures of \$115,161 compared to budget of \$164,000, resulting in a positive variance of \$48,839. This positive variance was primarily due to the fact that there were no significant legal issues during 2016.
- The public works function reported actual expenditures of \$626,495 compared to budgeted expenditures of \$687,026 resulting in a positive variance of \$60,531. This positive variance was primarily due 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, 2016 was \$16,459,835 (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 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015
Land	\$ 6,557,081	\$ 6,557,081	\$ 417,459	\$ 417,459	\$ 6,974,540	\$ 6,974,540
Sanitary Sewer System	-	-	2,079,037	2,146,103	2,079,037	2,146,103
Buildings and Improvements	3,213,714	3,351,841	3,363,389	3,521,721	6,577,103	6,873,562
Equipment and Vehicles	736,601	759,017	92,554	102,388	829,155	861,405
Total	\$ 10,507,396	\$ 10,667,939	\$ 5,952,439	\$ 6,187,671	\$ 16,459,835	\$ 16,855,610

Capital additions were as follows:

Governmental Activities	
Buildings and Improvements	\$ 133,800
Equipment and Vehicles	<u>147,248</u>
	<u>281,048</u>
Business-Type Activities	
Equipment and Vehicles	<u>\$ 5,999</u>

Additional information on the Village's capital assets can be found in note 4 on pages 29 - 30 of this report.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration

At year-end, the Village had total outstanding debt of \$6,525,000 as compared to \$7,330,000 the previous year. During 2016, 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:

	Governmental Activities		Business-type Activities		Total	
	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2015
Revenue Bonds	\$ -	\$ -	\$ 2,190,000	\$ 2,340,000	\$ 2,190,000	\$ 2,340,000
Debt Certificates	4,335,000	4,990,000	-	-	4,335,000	4,990,000
Total	\$ 4,335,000	\$ 4,990,000	\$ 2,190,000	\$ 2,340,000	\$ 6,525,000	\$ 7,330,000

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 \$34,596,409.

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 30 - 33 of this report.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2016

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, 2016 and December 31, 2017 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, 2016 and December 31, 2017.

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,930,208	\$ 1,674,931	\$ 11,605,139
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	1,939,786	-	1,939,786
Utility tax	37,919	-	37,919
Accounts	32,052	5,542	37,594
Court fines	11,724	-	11,724
Interest	9,189	-	9,189
Prepaid expenses	60,610	-	60,610
Due from other governments			
Sales tax	25,789	-	25,789
Sales tax sharing	5,314	-	5,314
Use tax	46,216	-	46,216
Income tax	85,740	-	85,740
Franchise tax	35,037	-	35,037
Telecommunication tax	45,547	-	45,547
Motor fuel tax	18,179	-	18,179
Internal balances	3,261	(3,261)	-
Capital assets not being depreciated	6,557,081	417,459	6,974,540
Capital assets (net of accumulated depreciation)	3,950,315	5,534,980	9,485,295
Total assets	22,793,967	7,629,651	30,423,618
DEFERRED OUTFLOWS OF RESOURCES			
Pension items - police pension plan	984,123	-	984,123
Pension items - IMRF	561,794	20,298	582,092
Unamortized loss on refunding	-	32,909	32,909
Total deferred outflows of resources	1,545,917	53,207	1,599,124
Total assets and deferred outflows of resources	24,339,884	7,682,858	32,022,742
LIABILITIES			
Accounts payable	270,782	13,235	284,017
Wages payable	35,586	648	36,234
Unearned revenue - other	90,000	160	90,160
Deposits payable	682,448	-	682,448
Unearned revenue - grants	17,103	-	17,103
Long-term liabilities			
Due within one year	673,886	155,000	828,886
Due in more than one year	7,818,638	2,089,444	9,908,082
Total liabilities	9,588,443	2,258,487	11,846,930
DEFERRED INFLOWS OF RESOURCES			
Pension items - police pension plan	660,669	-	660,669
Deferred revenue - property taxes	1,939,786	-	1,939,786
Total deferred inflows of resources	2,600,455	-	2,600,455
Total liabilities and deferred inflows of resources	12,188,898	2,258,487	14,447,385

(This statement is continued on the following page.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF NET POSITION (Continued)

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 10,507,396	\$ 3,785,525	\$ 14,292,921
Restricted for			
Highways and streets	368,897	-	368,897
Debt service	126,500	622,757	749,257
Repairs and maintenance	-	164,068	164,068
Special recreation	478,643	-	478,643
Unrestricted	669,550	852,021	1,521,571
TOTAL NET POSITION	\$ 12,150,986	\$ 5,424,371	\$ 17,575,357

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 2,027,037	\$ 401,282	\$ 3,045	\$ 81,492
Building and zoning	1,022,469	1,200,388	-	-
Public safety	1,914,277	143,872	404	23,747
Public works	1,241,242	-	204,584	2,360
Parks and recreation	1,025,804	193,084	-	-
Interest	134,997	-	-	-
Total governmental activities	7,365,826	1,938,626	208,033	107,599
Business-Type Activities				
Aquatics	660,247	423,518	-	-
Sewer	157,577	44,441	-	-
Total business-type activities	817,824	467,959	-	-
TOTAL PRIMARY GOVERNMENT	\$ 8,183,650	\$ 2,406,585	\$ 208,033	\$ 107,599

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (1,541,218)	\$ -	\$ (1,541,218)
	177,919	-	177,919
	(1,746,254)	-	(1,746,254)
	(1,034,298)	-	(1,034,298)
	(832,720)	-	(832,720)
	(134,997)	-	(134,997)
	<u>(5,111,568)</u>	<u>-</u>	<u>(5,111,568)</u>
	-	(236,729)	(236,729)
	-	(113,136)	(113,136)
	-	(349,865)	(349,865)
	<u>(5,111,568)</u>	<u>(349,865)</u>	<u>(5,461,433)</u>
General Revenues			
Taxes			
Property	1,926,474	-	1,926,474
Road and bridge	17,532	-	17,532
Sales	182,942	-	182,942
Telecommunication and utility	539,486	-	539,486
Amusement	2,217	-	2,217
Intergovernmental			
Income	745,947	-	745,947
Use	182,558	-	182,558
Replacement	1,662	-	1,662
Investment income	156,056	2,550	158,606
Connection fees	-	368,287	368,287
Miscellaneous	815,746	378	816,124
Transfers in (out)	(560,000)	560,000	-
Total	<u>4,010,620</u>	<u>931,215</u>	<u>4,941,835</u>
CHANGE IN NET POSITION	<u>(1,100,948)</u>	<u>581,350</u>	<u>(519,598)</u>
NET POSITION, JANUARY 1	12,827,766	4,826,559	17,654,325
Prior period adjustment	(31,500)	-	(31,500)
Change in accounting principle	455,668	16,462	472,130
NET POSITION, JANUARY 1, RESTATED	<u>13,251,934</u>	<u>4,843,021</u>	<u>18,094,955</u>
NET POSITION, DECEMBER 31	<u>\$ 12,150,986</u>	<u>\$ 5,424,371</u>	<u>\$ 17,575,357</u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2016

	Special Revenue				Capital Projects		Debt Service	Nonmajor Governmental	Total Governmental Funds
	General	Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation	Capital Improvements			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
ASSETS									
Cash and investments	\$ 1,798,095	\$ 352,395	\$ 1,496,923	\$ 354,172	\$ 20,557	\$ 1,298,173	\$ 4,439,643	\$ 170,250	\$ 9,930,208
Receivables									
Property taxes	1,522,222	-	-	417,564	-	-	-	-	1,939,786
Utility taxes	37,919	-	-	-	-	-	-	-	37,919
Accounts	2,100	-	29,940	12	-	-	-	-	32,052
Court fines	11,724	-	-	-	-	-	-	-	11,724
Interest	5,945	-	3,244	-	-	-	-	-	9,189
Prepaid items	42,758	-	-	17,852	-	-	-	-	60,610
Due from other governments									
Municipal sales tax	25,789	-	-	-	-	-	-	-	25,789
Sales tax sharing	5,314	-	-	-	-	-	-	-	5,314
Illinois use tax	46,216	-	-	-	-	-	-	-	46,216
Illinois income tax	85,740	-	-	-	-	-	-	-	85,740
Franchise tax	35,037	-	-	-	-	-	-	-	35,037
Telecommunication tax	45,547	-	-	-	-	-	-	-	45,547
Motor fuel tax	-	18,179	-	-	-	-	-	-	18,179
Due from other funds	7,761	-	9,908	-	1,300	39,326	-	-	58,295
TOTAL ASSETS	3,672,167	370,574	1,540,015	789,600	21,857	1,337,499	4,439,643	170,250	12,341,605
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,672,167	\$ 370,574	\$ 1,540,015	\$ 789,600	\$ 21,857	\$ 1,337,499	\$ 4,439,643	\$ 170,250	\$ 12,341,605

	Special Revenue				Capital Projects		Debt Service	Nonmajor Governmental	Total Governmental Funds
	General	Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation	Capital Improvements			
LIABILITES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 64,182	\$ -	\$ 31,297	\$ 3,844	\$ -	\$ 26,162	\$ -	\$ 145,297	\$ 270,782
Wages payable	30,430	1,677	1,287	2,192	-	-	-	-	35,586
Unearned revenue - grants	16,603	-	-	500	-	-	-	-	17,103
Unearned revenue - permits	-	-	90,000	-	-	-	-	-	90,000
Deposits payable	509,450	-	170,398	2,600	-	-	-	-	682,448
Due to other funds	55,034	-	-	-	-	-	-	-	55,034
Total liabilities	675,699	1,677	292,982	9,136	-	26,162	-	145,297	1,150,953
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	1,522,222	-	-	417,564	-	-	-	-	1,939,786
Total deferred inflows of resources	1,522,222	-	-	417,564	-	-	-	-	1,939,786
Total liabilities and deferred inflows of resources	2,197,921	1,677	292,982	426,700	-	26,162	-	145,297	3,090,739
FUND BALANCES									
Nonspendable									
Prepaid items	42,758	-	-	17,852	-	-	-	-	60,610
Restricted									
Highways and streets	-	368,897	-	-	-	-	-	-	368,897
Debt service	-	-	-	-	21,857	-	4,439,643	-	4,461,500
Special recreation	-	-	-	478,643	-	-	-	-	478,643
Assigned									
Cash reserves	1,420,913	-	-	-	-	-	-	-	1,420,913
Capital improvements	-	-	1,247,033	-	-	1,311,337	-	19,841	2,578,211
Sister Cities	-	-	-	-	-	-	-	5,112	5,112
Unassigned	10,575	-	-	(133,595)	-	-	-	-	(123,020)
Total fund balances	1,474,246	368,897	1,247,033	362,900	21,857	1,311,337	4,439,643	24,953	9,250,866
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
	\$ 3,672,167	\$ 370,574	\$ 1,540,015	\$ 789,600	\$ 21,857	\$ 1,337,499	\$ 4,439,643	\$ 170,250	\$ 12,341,605

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, 2016

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 9,250,866
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	10,507,396
Long-term liabilities (debt certificates) are not due and payable in the current period and, therefore, not reported in the governmental funds	(4,335,000)
The premium on debt issued is shown as a liability on the statement of net position	(49,786)
The 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 and deferred inflows of resources on the statement of net position	
Deferred outflows of resources	561,794
The net pension liability for the Police Pension Plan is shown as a liability on the statement of net position	(2,773,388)
Differences between expected and actual experiences, assumption changes, and net differences between projected and actual earnings for the Police Pension Plan are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position	
Deferred outflows of resources	984,123
Deferred inflows of resources	(660,669)
The net OPEB obligation is shown as a liability on the statement of net position	(79,873)
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(19,429)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,150,986</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, 2016

	Special Revenue				Capital Projects		Debt Service	Nonmajor Governmental	Total Governmental Funds
	General	Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation	Capital Improvements			
REVENUES									
Taxes	\$ 2,197,371	\$ -	\$ -	\$ 415,602	\$ -	\$ -	\$ -	\$ -	\$ 2,612,973
Licenses, permits and fees	530,078	-	1,670,349	201,884	-	-	-	-	2,402,311
Intergovernmental	991,654	204,584	-	-	-	78,405	-	-	1,274,643
Investment income	4,659	885	6,889	524	343	1,500	141,005	251	156,056
Miscellaneous	42,705	-	61,107	-	258,930	15,338	-	815	378,895
Total revenues	3,766,467	205,469	1,738,345	618,010	259,273	95,243	141,005	1,066	6,824,878
EXPENDITURES									
Current									
General government	1,491,083	-	304,265	-	-	-	-	-	1,795,348
Building and zoning	191,111	-	753,161	-	-	-	-	-	944,272
Public safety	1,659,150	-	-	-	-	-	-	-	1,659,150
Public works	626,495	286,827	-	-	-	-	-	-	913,322
Parks and recreation	-	-	113,088	563,384	-	-	-	-	676,472
Capital outlay	-	-	-	-	19	648,802	-	-	648,821
Debt service									
Principal	-	-	-	-	-	-	655,000	-	655,000
Interest and fiscal charges	-	-	-	-	-	-	142,519	-	142,519
Total expenditures	3,967,839	286,827	1,170,514	563,384	19	648,802	797,519	-	7,434,904
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(201,372)	(81,358)	567,831	54,626	259,254	(553,559)	(656,514)	1,066	(610,026)

	Special Revenue			Capital Projects		Debt Service	Nonmajor Governmental	Total Governmental Funds	
	General	Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation				Capital Improvements
OTHER FINANCING SOURCES (USES)									
Transfers in	\$ 279,389	\$ 3,205	\$ -	\$ 100,000	\$ -	\$ 1,200,000	\$ -	\$ -	\$ 1,582,594
Transfers (out)	(803,205)	-	(689,389)	(90,000)	(560,000)	-	-	-	(2,142,594)
Total other financing sources (uses)	(523,816)	3,205	(689,389)	10,000	(560,000)	1,200,000	-	-	(560,000)
NET CHANGE IN FUND BALANCES	(725,188)	(78,153)	(121,558)	64,626	(300,746)	646,441	(656,514)	1,066	(1,170,026)
FUND BALANCES, JANUARY 1	2,199,434	447,050	1,400,091	298,274	322,603	664,896	5,096,157	23,887	10,452,392
Prior period adjustment	-	-	(31,500)	-	-	-	-	-	(31,500)
FUND BALANCES, JANUARY 1, RESTATED	2,199,434	447,050	1,368,591	298,274	322,603	664,896	5,096,157	23,887	10,420,892
FUND BALANCES, DECEMBER 31	\$ 1,474,246	\$ 368,897	\$ 1,247,033	\$ 362,900	\$ 21,857	\$ 1,311,337	\$ 4,439,643	\$ 24,953	\$ 9,250,866

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, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,170,026)

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	281,048
Sales of capital assets are reported as a proceed in governmental funds but as a gain (loss) from sale on the statement of activities	(1,333)
Principal paid on debt certificates is an expenditure in the governmental funds but is a decrease in the principal outstanding on the statement of net position	655,000
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	(440,258)
The amortization of premiums on long-term debt is reported as an expense on the statement of activities	7,522
The change in the net OPEB obligation is shown as an increase to expense on the statement of activities	(25,321)
The change in the Illinois Municipal Retirement Fund net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resource	(261,500)
The change in the Police Pension Plan net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resource	(138,047)
The change in compensated absences payable is shown as an increase in expense on the statement of activities	<u>(8,033)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,100,948)

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

December 31, 2016

	Aquatics	Sewer	Eliminations	Total Enterprise Funds
CURRENT ASSETS				
Cash and investments	\$ 815,445	\$ 859,486	\$ -	\$ 1,674,931
Accounts receivable	1,402	4,140	-	5,542
Due from other funds	-	22,643	(18,143)	4,500
Total current assets	816,847	886,269	(18,143)	1,684,973
NONCURRENT ASSETS				
Capital assets				
Capital assets not being depreciated	417,459	-	-	417,459
Capital assets being depreciated, net	3,455,942	2,079,038	-	5,534,980
Net capital assets	3,873,401	2,079,038	-	5,952,439
Total noncurrent assets	3,873,401	2,079,038	-	5,952,439
Total assets	4,690,248	2,965,307	(18,143)	7,637,412
DEFERRED OUTFLOWS OF RESOURCES				
Pension items - IMRF	18,372	1,926	-	20,298
Unamortized loss on refunding	32,909	-	-	32,909
Total deferred outflows of resources	51,281	1,926	-	53,207
Total assets and deferred outflows of resources	4,741,529	2,967,233	(18,143)	7,690,619
CURRENT LIABILITIES				
Accounts payable	4,562	8,673	-	13,235
Wages payable	517	131	-	648
Unearned revenue - other	160	-	-	160
Due to other funds	25,904	-	(18,143)	7,761
Revenue bonds payable	155,000	-	-	155,000
Total current liabilities	186,143	8,804	(18,143)	176,804
NONCURRENT LIABILITIES				
IMRF net pension liability	40,387	4,234	-	44,621
Net revenue bonds payable	2,044,823	-	-	2,044,823
Total noncurrent liabilities	2,085,210	4,234	-	2,089,444
Total liabilities	2,271,353	13,038	(18,143)	2,266,248
DEFERRED INFLOWS OF RESOURCES				
None	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Total liabilities and deferred inflows of resources	2,271,353	13,038	(18,143)	2,266,248
NET POSITION				
Net investment in capital assets	1,706,487	2,079,038	-	3,785,525
Restricted for debt service	622,757	-	-	622,757
Restricted for repairs and maintenance	164,068	-	-	164,068
Unrestricted	(23,136)	875,157	-	852,021
TOTAL NET POSITION	\$ 2,470,176	\$ 2,954,195	\$ -	\$ 5,424,371

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, 2016

	Aquatics	Sewer	Eliminations	Total Enterprise Funds
OPERATING REVENUES				
Charges for service	\$ 423,518	\$ 44,441	\$ -	\$ 467,959
Total operating revenues	423,518	44,441	-	467,959
OPERATING EXPENSES				
Personnel services	225,729	7,655	-	233,384
Contractual services	70,291	57,844	-	128,135
Commodities	71,585	474	-	72,059
Maintenance	10,936	24,538	-	35,474
Depreciation	174,165	67,066	-	241,231
Total operating expenses	552,706	157,577	-	710,283
OPERATING INCOME (LOSS)	(129,188)	(113,136)	-	(242,324)
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,193	1,357	-	2,550
Miscellaneous	378	-	-	378
Connection fees	-	368,287	-	368,287
Interest expense	(107,541)	-	-	(107,541)
Total non-operating revenues (expenses)	(105,970)	369,644	-	263,674
NET INCOME (LOSS) BEFORE TRANSFERS	(235,158)	256,508	-	21,350
TRANSFERS				
Transfers in	560,000	-	-	560,000
Total transfers	560,000	-	-	560,000
CHANGE IN NET POSITION	324,842	256,508	-	581,350
NET POSITION, JANUARY 1	2,130,433	2,696,126	-	4,826,559
Change in accounting principle	14,901	1,561	-	16,462
NET POSITION, JANUARY 1, RESTATED	2,145,334	2,697,687	-	4,843,021
NET POSITION, DECEMBER 31	\$ 2,470,176	\$ 2,954,195	\$ -	\$ 5,424,371

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Aquatics	Sewer	Total Enterprise Funds
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 422,898	\$ 43,822	\$ 466,720
Payments to suppliers	(148,648)	(83,523)	(232,171)
Payments to employees	(217,067)	(6,731)	(223,798)
Miscellaneous non-operating receipts	378	-	378
Net cash from operating activities	57,561	(46,432)	11,129
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Connection fees	-	368,287	368,287
Interfund loan receipts (repayments)	25,904	(22,643)	3,261
Transfers in	560,000	-	560,000
Net cash from noncapital financing activities	585,904	345,644	931,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchased	(5,999)	-	(5,999)
Principal paid on long-term debt	(150,000)	-	(150,000)
Interest paid	(105,960)	-	(105,960)
Net cash from capital and related financing activities	(261,959)	-	(261,959)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,193	1,357	2,550
Net cash from investing activities	1,193	1,357	2,550
NET INCREASE IN CASH AND CASH EQUIVALENTS	382,699	300,569	683,268
CASH AND CASH EQUIVALENTS, JANUARY 1	432,746	558,917	991,663
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 815,445	\$ 859,486	\$ 1,674,931
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (129,188)	\$ (113,136)	\$ (242,324)
Miscellaneous non-operating receipts	378	-	378
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Increase (decrease) in			
Depreciation and amortization	174,165	67,066	241,231
Pension related items	8,551	895	9,446
Accounts receivable	(620)	(619)	(1,239)
Accounts payable	4,164	(667)	3,497
Wages payable	111	29	140
NET CASH FROM OPERATING ACTIVITIES	\$ 57,561	\$ (46,432)	\$ 11,129
NONCASH TRANSACTIONS			
None	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2016

	Pension Trust	Agency Funds
ASSETS		
Cash and short-term investments	\$ 177,274	\$ 284,618
Investments		
U.S. Treasury obligations	227,415	-
U.S. agency obligations	905,679	-
State and local obligations	220,475	-
Corporate bonds	199,774	-
Money market mutual funds	122,892	-
Equity mutual funds	1,341,317	-
Prepaid items	795	-
Accrued interest receivable	7,554	-
		<hr/>
Total assets	3,203,175	\$ 284,618
		<hr/>
LIABILITIES		
Accounts payable	1,182	\$ 7,600
Due to others	-	277,018
		<hr/>
Total liabilities	1,182	\$ 284,618
		<hr/>
NET POSITION RESTRICTED FOR PENSIONS	\$ 3,201,993	
	<hr/>	

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, 2016

	Police Pension
ADDITIONS	
Contributions	
Employer	\$ 280,223
Employee	<u>106,897</u>
Total contributions	<u>387,120</u>
Investment income	
Net appreciation in fair value of investments	132,006
Interest	<u>20,012</u>
Total investment income	152,018
Less investment expense	<u>(5,383)</u>
Net investment income	<u>146,635</u>
Total additions	<u>533,755</u>
DEDUCTIONS	
Benefits and refunds	78,632
Administration	<u>13,404</u>
Total deductions	<u>92,036</u>
NET INCREASE	441,719
NET POSITION RESTRICTED FOR PENSIONS	
January 1	<u>2,760,274</u>
December 31	<u><u>\$ 3,201,993</u></u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, committed 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)

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). 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)

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 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 Park Donation Fund, a capital projects 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 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 Debt Service Fund is used to account for the payment of principal and interest on the 2013 Debt Certificates.

The Village reports the following nonmajor governmental funds:

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 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

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 for 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.

Property taxes, sales taxes, 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, license and permit revenue and miscellaneous revenues are considered to be measurable and available only when cash is received by the Village.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 those related to 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 unavailable/deferred and unearned revenue on its financial statements. Unavailable/deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues arise when resources are received by the government before it has a legal claim to them such as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability or deferred inflow of resources for unearned and unavailable/deferred revenue is 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.

f. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust fund are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

<u>Asset Class</u>	<u>Capitalization Threshold</u>
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 acquisition 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:

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 which are legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for 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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Net Position/Fund Balance (Continued)

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 position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the statement of net 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 position that applies to future period(s) and so it will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period these amounts become available.

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.

n. Interfund Receivables/Payables

Activities 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

The Village and pension funds categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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).

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village (Continued)

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 102% of the uninsured bank balance, with collateral held by an independent third party.

Investments

At December 31, 2016, 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 obligations	\$ 4,335,000	\$ 672,000	\$ 3,663,000	\$ -	\$ -
Negotiable certificates of deposit	1,452,260	491,300	960,960	-	-
TOTAL	\$ 5,787,260	\$ 1,163,300	\$ 4,623,960	\$ -	\$ -

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 seven years unless matched to a specific cash flow.

The Village has the following recurring fair value measurements as of December 31, 2016, the Negotiable Certificates of Deposit are valued using quoted matrix pricing models (Level 2 inputs). The State and Local Obligations are valued at the par value of the bonds (Level 3 inputs).

The State and Local Obligation Securities and Negotiable Certificates of Deposit 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.

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village (Continued)

Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village'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 the Village's portfolio shall be diversified in order to limit the investment holdings of a specific issuer or business sector to avoid over concentration in any one institution or area excluding investments in U.S. Treasury securities and authorized investment pools.

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 2016 property tax levy is recorded as a receivable, net of estimated uncollectibles. Based upon collection histories, the Village has provided at December 31, 2016, an allowance of 1% 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 2016 taxes are intended to finance the 2017 fiscal year and are not considered available for current operations and are, therefore, shown as unavailable revenue.

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

4. CAPITAL ASSETS

Capital asset activity for the Village for the year ended December 31, 2016 was as follows:

	January 1	Increases	Decreases	December 31
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 6,557,081	\$ -	\$ -	\$ 6,557,081
Total capital assets not being depreciated	6,557,081	-	-	6,557,081
Capital assets being depreciated				
Buildings and improvements	5,889,605	133,800	-	6,023,405
Equipment and vehicles	2,620,447	147,248	10,000	2,757,695
Total capital assets being depreciated	8,510,052	281,048	10,000	8,781,100
Less accumulated depreciation for				
Buildings and improvements	2,537,764	271,927	-	2,809,691
Equipment and vehicles	1,861,430	168,331	8,667	2,021,094
Total accumulated depreciation	4,399,194	440,258	8,667	4,830,785
Total capital assets being depreciated, net	4,110,858	(159,210)	1,333	3,950,315
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 10,667,939	\$ (159,210)	\$ 1,333	\$ 10,507,396
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 417,459	\$ -	\$ -	\$ 417,459
Total capital assets not being depreciated	417,459	-	-	417,459
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	5,999	-	178,847
Total capital assets being depreciated	7,255,473	5,999	-	7,261,472
Less accumulated depreciation for				
Sanitary sewer system	201,198	67,066	-	268,264
Buildings and improvements	1,213,603	158,332	-	1,371,935
Equipment	70,460	15,833	-	86,293
Total accumulated depreciation	1,485,261	241,231	-	1,726,492
Total capital assets being depreciated, net	5,770,212	(235,232)	-	5,534,980
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 6,187,671	\$ (235,232)	\$ -	\$ 5,952,439

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

4. CAPITAL ASSETS (Continued)

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

DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES

General government	\$ 8,419
Building and zoning	68,892
Public safety	48,194
Public works	48,194
Parks and recreation	<u>266,559</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES \$ 440,258

5. LONG-TERM DEBT

a. Special Service Area Bonds

As of December 31, 2016, 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, 2016 totaled \$7,215,000. 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.

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

5. LONG-TERM DEBT

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
GOVERNMENTAL ACTIVITIES						
	Debt					
Debt certificates	Service	\$ 4,990,000	\$ -	\$ 655,000	\$ 4,335,000	\$ 670,000
Unamortized premium on debt certificates	Debt Service	57,308	-	7,522	49,786	-
Compensated absences	General	11,396	207,511	199,478	19,429	3,886
Net pension liability - police pension	General	2,878,479	-	105,091	2,773,388	-
Net pension liability - IMRF	General	734,975	500,073	-	1,235,048	-
Other postemployment benefit obligation	General	54,552	25,321	-	79,873	-
TOTAL GOVERNMENTAL ACTIVITIES		\$ 8,726,710	\$ 732,905	\$ 967,091	\$ 8,492,524	\$ 673,886

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	\$ 4,990,000	\$ -	\$ 655,000	\$ 4,335,000	\$ 670,000
TOTAL		\$ 4,990,000	\$ -	\$ 655,000	\$ 4,335,000	\$ 670,000

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, 2016, 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
BUSINESS-TYPE ACTIVITIES						
Revenue bonds	Aquatics	\$ 2,340,000	\$ -	\$ 150,000	\$ 2,190,000	\$ 155,000
Unamortized premium on bonds	Aquatics	10,496	-	673	9,823	-
Net pension liability - IMRF	Aquatics/ Sewer	26,554	18,067	-	44,621	-
TOTAL BUSINESS-TYPE ACTIVITIES		\$ 2,377,050	\$ 18,067	\$ 150,673	\$ 2,244,444	\$ 155,000

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
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
TOTAL	\$ 4,335,000	\$ 445,707	\$ 4,780,707

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 donation fees received by the Village. This subfund had a balance of \$21,857 at December 31, 2016. 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 \$164,068 at December 31, 2016. 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, 2016, this subfund had a balance of \$366,593. 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, 2016, this subfund (including the 2011 Reserve Subfund) had a balance of \$256,164 as required by the ordinance.

Debt service to maturity on these bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
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
TOTAL	\$ 2,190,000	\$ 711,331	\$ 2,901,331

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

6. INTERFUND ACTIVITY

Due from/to other funds at December 31, 2016 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General	\$ 7,761	\$ 55,034
Community Development	9,908	-
Park Donation	1,300	-
Capital Improvements	39,326	-
Aquatics Center	-	25,904
Sewer	22,643	-
	<hr/>	<hr/>
TOTAL	\$ 80,938	\$ 80,938

The balances reflected in all significant due from/to other funds above are generally related to routine payroll and vendor payments involving charges to multiple Village funds. The Village expects that the obligations will be liquidated within one year.

Interfund transfers during the year ended December 31, 2016 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 279,389	\$ 803,205
Motor Fuel Tax	3,205	-
Community Development	-	689,389
Park and Recreation	100,000	90,000
Park Donation	-	560,000
Capital Improvements	1,200,000	-
Aquatics Center	560,000	-
	<hr/>	<hr/>
TOTAL	\$ 2,142,594	\$ 2,142,594

Significant transfers between funds for the year ended December 31, 2016 consist of the following:

- \$400,000 transfer from the Community Development Fund to the Capital Improvements Fund is for capital projects.
- \$800,000 transfer from the General Fund to the Capital Improvements Fund is for capital projects.
- \$560,000 transfer from the Park Donation Fund to the Aquatics Center for park donation revenues in accordance with revenue bond covenants.

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.

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, 2016.

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.

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

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.

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
	<hr/>
TOTAL	53
	<hr/> <hr/>

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

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)

Benefits Provided (Continued)

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.

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, 2016 was 11.45% 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
Asset valuation method	Market value of assets

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)

Assumptions	
Price inflation	2.75%
Salary increases	3.75% to 14.50%
Investment rate of return	7.50%
Cost of living adjustments - Tier 1	3.00%
Cost of living adjustments - Tier 2	3.00% or ½ of the increase in the Consumer Price Index, whichever is less

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments 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). The 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 not projected to be available to make all projected future benefit payments of current plan members and, therefore, 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.

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

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2016, RESTATED	\$ 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)
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	544,031	25,891	518,140
BALANCES AT DECEMBER 31, 2016	\$ 3,442,772	\$ 2,163,103	\$ 1,279,669

There was a change in assumption related to the discount rate made since the prior measurement date. The discount rate used in the current actuarial valuation, dated December 31, 2015, is 7.45%. The discount rate used in the prior actuarial valuation, dated December 31, 2014, was 7.47%.

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)

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

For the year ended December 31, 2016, the Village recognized pension expense of \$461,932.

At December 31, 2016, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 164,226	\$ -
Assumption changes	81,200	-
Net difference between projected and actual earnings on pension plan investments	135,482	-
Employer contributions after the measurement date	<u>201,184</u>	<u>-</u>
TOTAL	<u>\$ 582,092</u>	<u>\$ -</u>

\$201,184 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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)

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 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	\$ 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.

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.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Plan Membership

At December 31, 2016, 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 not yet receiving benefits	-
Active plan members	<u>12</u>
TOTAL	<u><u>14</u></u>

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.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided (Continued)

January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the preceding 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. However, the Village is funding 100% of the past service costs by 2040. For the year ended December 31, 2016, the Village's contribution was 26.86% 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 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, liquidity, return on investment, legality and meeting all funding requirements. During the year, there were no changes to the 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)

Investment Policy (Continued)

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%	1.3%
Large cap domestic equities	31.5%	6.5%
Small cap domestic equities	9.0%	8.5%
International equities	4.5%	6.8%

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

The Long-Term Expected Real Rates of Return are net of inflation and investment expense. Long-term returns for the asset classes are calculated on a geometric mean basis and were updated by the investment manager in June 2016.

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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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, 2016, all of the Fund's bank balances were collateralized as required by their investment policy.

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 227,415	\$ -	\$ 150,481	\$ 76,934	\$ -
U.S. agency obligations	905,679	61,865	353,842	328,469	161,503
State and local obligations	220,475	20,260	119,150	81,065	-
Corporate bonds	199,774	-	112,092	87,682	-
TOTAL	\$ 1,553,343	\$ 82,125	\$ 735,565	\$ 574,150	\$ 161,503

The Fund has the following recurring fair value measurements as of December 31, 2016, the U.S. Treasury obligations and mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations, the corporate bonds, and the state and local obligations are valued using quoted matrix pricing models (Level 2 inputs).

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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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 primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government, and corporate bonds rated as investment grade by one of the two largest rating services at the time of purchase. The U.S. agency obligations are rated AA+ by S&P. The state and local obligations are rated AA to AA+ by S&P. The corporate bonds are rated A to AAA by S&P. Certain fixed income securities are not rated.

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 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 acting as the Fund's agent separate from where the investment was purchased in the Fund's name.

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. 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, 2016	\$ 5,638,753	\$ 2,760,274	\$ 2,878,479
Changes for the period			
Service cost	269,141	-	269,141
Interest	363,963	-	363,963
Difference between expected and actual experience	(634,081)	-	(634,081)
Changes in assumptions	416,237	-	416,237
Employer contributions	-	280,223	(280,223)
Employee contributions	-	106,897	(106,897)
Net investment income	-	146,635	(146,635)
Benefit payments and refunds	(78,632)	(78,632)	-
Administrative expense	-	(13,404)	13,404
Net changes	336,628	441,719	(105,091)
BALANCES AT DECEMBER 31, 2016	\$ 5,975,381	\$ 3,201,993	\$ 2,773,388

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. The following assumptions also changed since the prior year: (1) the discount rate used for the total pension liability was changed from 6.75% to 6.50%; (2) the long-term expected rate of return on plan assets was changed from 6.75% to 6.50%; (3) the high quality 20-year tax exempt G.O. bond rate was changed from 3.57% to 3.78%; (4) the projected rate of individual salary increases changed from 4.50% to 14.00% to 4.00% to 14.00%; (5) the projected increase in total payroll was changed from 4.50% to 3.25%; (6) the change in the Consumer Price Index (Urban) was changed from 3.00% to 2.50% and (7) the rate of inflation was changed from 3.00% to 2.50%.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Actuarial Assumptions (Continued)

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.00% to 14.00%
Interest rate	6.50%
Postretirement benefit increases	3.00%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Mortality Table adjusted for Blue Collar Workers and improved generationally using MP-2016 Improvement Rates.

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

For the year ended December 31, 2016, the Village recognized police pension expense of \$418,270. At December 31, 2016, 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	\$ 469,794	\$ 581,764
Changes in assumptions	381,893	78,905
Net difference between projected and actual earnings on pension plan investments	<u>132,436</u>	<u>-</u>
TOTAL	<u><u>\$ 984,123</u></u>	<u><u>\$ 660,669</u></u>

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

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 (Continued)

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>		
2017	\$	67,666
2018		67,666
2019		67,663
2020		34,817
2021		26,344
Thereafter		<u>59,298</u>
 TOTAL	 \$	 <u>323,454</u>

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 6.50% 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 (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability	\$ 3,930,828	\$ 2,773,388	\$ 1,857,864

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

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 (most recent available) 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/> <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)

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 2014, 2015 and 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 6,537	\$ -	0.00%	\$ 30,352
2015	24,200	-	0.00%	54,552
2016	25,321	-	0.00%	79,873

The net OPEB obligation as of December 31, 2016 was calculated as follows:

Annual required contribution	\$ 24,957
Interest on net OPEB obligation	2,182
Adjustment to annual required contribution	<u>(1,818)</u>
Annual OPEB cost	25,321
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	25,321
Net OPEB obligation, beginning of year	<u>54,552</u>
NET OPEB OBLIGATION, END OF YEAR	<u><u>\$ 79,873</u></u>

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2015 (most recent available) 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%

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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, 2016 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 3.0% 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, 2016 was 30 years.

11. TAX ABATEMENTS

The Village rebates property taxes to recruit, retain, or improve local business facilities or their supporting public infrastructure under certain circumstances. The terms of these rebate arrangements are specified within written agreements with the businesses concerned.

For the fiscal year ended December 31, 2016, the Village rebated 100% of the Village portion of the property tax levy to all homeowners who owned and resided in the Hawthorn Trails (formerly Kildeer Estates) subdivision as of May 1, 2010. This rebate is available only to these original homeowners as long as they reside in their home, according to the terms of the annexation agreement. The abatement for the year amounted to \$9,456.

12. CHANGE IN ACCOUNTING PRINCIPLE

In 2015, the Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.

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

12. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The new standards required the Village to recognize a net pension liability and related deferred inflows and deferred outflows in its government-wide financial statements for the net pension liability associated with its pension plan.

In 2016, the Village made a determination to report information from the December 31, 2015 actuarial evaluation from IMRF in order to continue its dedication to timely financial reporting. Therefore, the related accounts were restated for the prior year to reflect the net pension liabilities and deferred outflows from December 31, 2014.

The beginning net position reported in the government-wide financial statements has been restated to reflect the new guidance as follows:

	<u>Governmental Activities</u>
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 12,827,766
Net pension liability - IMRF	500,073
Deferred outflows of resources - IMRF	(235,397)
Deferred inflows of resources - IMRF	-
Contributions subsequent to the measurement date - deferred outflows of resources	<u>190,992</u>
BEGINNING NET POSITION, AS RESTATED	<u>\$ 13,283,434</u>
	<u>Business-Type Activities</u>
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 4,826,559
Net pension liability - IMRF	18,067
Deferred outflows of resources - IMRF	(8,505)
Deferred inflows of resources - IMRF	-
Contributions subsequent to the measurement date - deferred outflows of resources	<u>6,900</u>
BEGINNING NET POSITION, AS RESTATED	<u>\$ 4,843,021</u>

The Village also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, in 2016 which resulted in \$190,992 and \$6,900 of the governmental activities and business-type activities restatements above, respectively.

13. PRIOR PERIOD ADJUSTMENT

The beginning net position of governmental activities and fund balance of the Community Development Fund was restated by (\$31,500). Beginning net position was restated to report permit fees in the proper period.

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, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	\$ 2,277,631	\$ 2,277,631	\$ 2,197,371	\$ (80,260)
Licenses and fees	564,450	564,450	530,078	(34,372)
Intergovernmental	965,299	965,299	991,654	26,355
Investment income	3,500	3,500	4,659	1,159
Miscellaneous	24,625	24,625	42,705	18,080
Total revenues	3,835,505	3,835,505	3,766,467	(69,038)
EXPENDITURES				
Current				
General government	1,580,590	1,580,590	1,491,083	(89,507)
Building and zoning	191,768	191,768	191,111	(657)
Public safety	1,635,275	1,635,275	1,659,150	23,875
Public works	687,026	687,026	626,495	(60,531)
Total expenditures	4,094,659	4,094,659	3,967,839	(126,820)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(259,154)	(259,154)	(201,372)	57,782
OTHER FINANCING SOURCES (USES)				
Transfers in	277,202	277,202	279,389	2,187
Transfers (out)	-	-	(803,205)	(803,205)
Total other financing sources (uses)	277,202	277,202	(523,816)	(801,018)
NET CHANGE IN FUND BALANCE	\$ 18,048	\$ 18,048	(725,188)	\$ (743,236)
FUND BALANCE, JANUARY 1			2,199,434	
FUND BALANCE, DECEMBER 31			\$ 1,474,246	

(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, 2016

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Intergovernmental			
Allotments earned	\$ 182,379	\$ 204,584	\$ 22,205
Investment income	1,000	885	(115)
Total revenues	183,379	205,469	22,090
EXPENDITURES			
Public works			
Personnel services	87,092	87,531	439
Contractual services	128,500	114,726	(13,774)
Commodities	101,000	84,570	(16,430)
Total expenditures	316,592	286,827	(29,765)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,213)	(81,358)	51,855
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,205	3,205
NET CHANGE IN FUND BALANCE	\$ (133,213)	(78,153)	\$ 55,060
FUND BALANCE, JANUARY 1		447,050	
FUND BALANCE, DECEMBER 31		\$ 368,897	

(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, 2016

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Licenses, permits and fees	\$ 1,275,520	\$ 1,670,349	\$ 394,829
Investment income	4,000	6,889	2,889
Miscellaneous	56,700	61,107	4,407
	<hr/>	<hr/>	<hr/>
Total revenues	1,336,220	1,738,345	402,125
EXPENDITURES			
General government			
Economic development			
Personnel services	296,223	302,597	6,374
Contractual services	35,100	1,668	(33,432)
Building and zoning			
Contractual services	233,885	753,161	519,276
Parks and recreation			
Community events			
Personnel services	69,287	69,303	16
Contractual services	47,175	43,785	(3,390)
	<hr/>	<hr/>	<hr/>
Total expenditures	681,670	1,170,514	488,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	654,550	567,831	(86,719)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(787,202)	(689,389)	97,813
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	\$ (132,652)	(121,558)	\$ 11,094
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JANUARY 1		1,400,091	
Prior period adjustment		<hr/> (31,500)	
FUND BALANCE, JANUARY 1, RESTATED		<hr/> 1,368,591	
		<hr/>	
FUND BALANCE, DECEMBER 31		\$ 1,247,033	
		<hr/>	

(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, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	\$ 416,965	\$ 416,965	\$ 415,602	\$ (1,363)
Licenses, permits and fees	226,299	226,299	201,884	(24,415)
Investment income	850	850	524	(326)
Total revenues	644,114	644,114	618,010	(26,104)
EXPENDITURES				
Parks and recreation				
Administration				
Personnel services	119,757	119,757	136,710	16,953
Contractual services	20,025	20,025	21,764	1,739
Commodities	3,900	3,900	2,842	(1,058)
Recreation				
Personnel services	-	-	3,579	3,579
Commodities	45,163	45,163	31,640	(13,523)
Park maintenance				
Personnel services	233,487	179,167	125,047	(54,120)
Contractual services	1,200	1,200	3,030	1,830
Commodities	56,500	110,820	95,547	(15,273)
Capital outlay	5,000	5,000	1,436	(3,564)
Special recreation				
Contractual services	53,556	53,556	53,556	-
Capital outlay	117,100	117,100	88,233	(28,867)
Total expenditures	655,688	655,688	563,384	(92,304)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,574)	(11,574)	54,626	66,200
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Transfers (out)	(90,000)	(90,000)	(90,000)	-
Total other financing sources (uses)	10,000	10,000	10,000	-
NET CHANGE IN FUND BALANCE	\$ (1,574)	\$ (1,574)	64,626	\$ 66,200
FUND BALANCE, JANUARY 1			298,274	
FUND BALANCE, DECEMBER 31			\$ 362,900	

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2016

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
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%
2016	N/A	N/A	N/A	N/A	N/A	N/A

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

Last Two Fiscal Years

FISCAL YEAR ENDING DECEMBER 31,	2015	2016
Actuarially determined contribution	\$ 193,007	\$ 201,184
Contributions in relation to the actuarially determined contribution	<u>193,007</u>	<u>201,184</u>
CONTRIBUTION DEFICIENCY (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,668,168	\$ 1,757,066
Contributions as a percentage of covered-employee payroll	11.57%	11.45%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuation 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; the amortization period was 28 years, closed, until the remaining period reaches 15 years, then a 15-year rolling period; the asset valuation method was five-year smoothed market with a 20% corridor and the significant actuarial assumptions were wage growth at 4.0% annually; price inflation at 3.0% annually; an investment rate of return at 7.5% annually, a projected salary increases assumption of 4.4% to 16.0%, annually; and postretirement benefit increases of 3.0% annually for Tier 1 employees and 3.0% or 1/2 of the increase in the Consumer Price Index, whichever is less, for Tier 2 employees.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND**

Last Eight Fiscal Years

FISCAL YEAR ENDING DECEMBER 31,	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	\$ 151,347	\$ 200,879	\$ 211,652	\$ 219,588	\$ 217,155	\$ 234,261	\$ 280,551	\$ 280,223
Contributions in relation to the actuarially determined contributions	163,992	163,992	225,318	219,588	217,155	234,261	280,551	280,223
CONTRIBUTION DEFICIENCY (Excess)	\$ (12,645)	\$ 36,887	\$ (13,666)	\$ -				
Covered-employee payroll	\$ 656,915	\$ 629,035	\$ 680,756	\$ 683,219	\$ 692,151	\$ 771,341	\$ 979,799	\$ 1,043,104
Contributions as a percentage of covered employee payroll	24.96%	26.07%	33.10%	32.14%	31.37%	30.37%	28.63%	26.86%

The information presented was determined as part of the actuarial valuations as of the beginning of the prior fiscal year. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry age normal; the amortization method was level percentage of pay; the amortization period was 24 years; the asset valuation method was five year smoothing of asset gains and losses and the significant actuarial assumptions were a discount rate of 6.75% annually; inflation at 3.00% annually; and projected salary increases of 4.00% to 14.00% annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

December 31, 2016

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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%
2016	-	24,957	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

Last Two Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015
TOTAL PENSION LIABILITY		
Service cost	\$ 156,550	\$ 164,627
Interest	186,930	220,700
Changes of benefit terms	-	-
Differences between expected and actual experience	14,769	201,645
Changes of assumptions	135,102	10,211
Benefit payments, including refunds of member contributions	(30,809)	(53,152)
Net change in total pension liability	462,542	544,031
Total pension liability - beginning	2,436,199	2,898,741
TOTAL PENSION LIABILITY - ENDING	\$ 2,898,741	\$ 3,442,772
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 152,332	\$ 197,892
Contributions - member	61,980	76,967
Net investment income	117,204	11,189
Benefit payments, including refunds of member contributions	(30,809)	(53,152)
Other (net transfer)	6,886	(207,005)
Net change in plan fiduciary net position	307,593	25,891
Plan net position - beginning	1,829,619	2,137,212
PLAN NET POSITION - ENDING	\$ 2,137,212	\$ 2,163,103
EMPLOYER'S NET PENSION LIABILITY	\$ 761,529	\$ 1,279,669
Plan fiduciary net position as a percentage of the total pension liability	73.73%	62.83%
Covered-employee payroll	\$ 1,404,051	\$ 1,710,393
Employer's net pension liability as a percentage of covered-employee payroll	54.24%	74.82%

There was a change in assumption related to the discount rate made since the prior measurement date. The discount rate used in the current actuarial valuation, dated December 31, 2015, is 7.45%. The discount rate used in the prior actuarial valuation, dated December 31, 2014, was 7.47%.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(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

Last Three Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016
TOTAL PENSION LIABILITY			
Service cost	\$ 269,069	\$ 248,158	\$ 269,141
Interest	256,565	313,030	363,963
Changes of benefit terms	-	-	-
Differences between expected and actual experience	557,497	576,324	(634,081)
Changes of assumptions	292,739	(96,799)	416,237
Benefit payments, including refunds of member contributions	(93,198)	(78,871)	(78,632)
Net change in total pension liability	1,282,672	961,842	336,628
Total pension liability - beginning	3,394,239	4,676,911	5,638,753
TOTAL PENSION LIABILITY - ENDING	\$ 4,676,911	\$ 5,638,753	\$ 5,975,381
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 234,261	\$ 280,551	\$ 280,223
Contributions - member	79,573	106,136	106,897
Net investment income	37,981	10,741	146,635
Benefit payments, including refunds of member contributions	(93,198)	(78,871)	(78,632)
Administrative expense	(13,259)	(16,308)	(13,404)
Net change in plan fiduciary net position	245,358	302,249	441,719
Plan net position - beginning	2,212,667	2,458,025	2,760,274
PLAN NET POSITION - ENDING	\$ 2,458,025	\$ 2,760,274	\$ 3,201,993
EMPLOYER'S NET PENSION LIABILITY	\$ 2,218,886	\$ 2,878,479	\$ 2,773,388
Plan fiduciary net position as a percentage of the total pension liability	52.6%	49.0%	53.6%
Covered-employee payroll	\$ 791,889	\$ 979,799	\$ 1,043,104
Employer's net pension liability as a percentage of covered-employee payroll	280.2%	293.8%	265.9%

Notes to Schedule:

Year Ended December 31, 2016 - 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. The following assumptions also changed since the prior year: (1) the discount rate used for the total pension liability was changed from 6.75% to 6.50%; (2) the long-term expected rate of return on plan assets was changed from 6.75% to 6.50%; (3) the high quality 20-year tax exempt G.O. bond rate was changed from 3.57% to 3.78%; (4) the projected rate of individual salary increases changed from 4.50% to 14.00% to 4.00% to 14.00%; (5) the projected increase in total payroll was changed from 4.50% to 3.25%; (6) the change in the Consumer Price Index (Urban) was changed from 3.00% to 2.50%; and (7) the rate of inflation was changed from 3.00% to 2.50%.

Year Ended December 31, 2015 - 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.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION FUND**

Last Three Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	3.50%	0.41%	5.06%

Ultimately, this schedule should present return information for the last ten years. However, until ten years of information can be compiled, return information should be presented for as many years as is available.

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

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 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 of Trustees. 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 of Trustees 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 of Trustees before year end.
- e. The Board of Trustees 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)

2. COMPLIANCE

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

Fund	Actual Expenditures	Final Budget	Excess
Park Donation Fund	\$ 19	\$ -	\$ 19
Community Development Fund	1,170,514	681,670	488,844

**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, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
TAXES				
Property taxes	\$ 1,566,551	\$ 1,566,551	\$ 1,510,872	\$ (55,679)
Road and bridge tax	19,580	19,580	17,532	(2,048)
Sales tax	90,000	90,000	127,264	37,264
Utility tax	395,000	395,000	350,106	(44,894)
Telecommunication tax	204,000	204,000	189,380	(14,620)
Amusement tax	2,500	2,500	2,217	(283)
Total taxes	2,277,631	2,277,631	2,197,371	(80,260)
LICENSES AND FEES				
Licenses				
Liquor	9,000	9,000	8,275	(725)
Vehicle	164,000	164,000	163,293	(707)
Animal	12,000	12,000	11,935	(65)
Franchise	162,000	162,000	162,615	615
Business	10,000	10,000	10,588	588
Total licenses	357,000	357,000	356,706	(294)
Fees				
Court fines	105,000	105,000	91,974	(13,026)
Village code violations	65,000	65,000	43,480	(21,520)
Administrative adjudication hearing fees	500	500	260	(240)
Adjudication fines	2,000	2,000	1,463	(537)
Administrative impound fees	30,000	30,000	29,500	(500)
Police protection fees	4,500	4,500	5,950	1,450
Record requests	450	450	745	295
Total fees	207,450	207,450	173,372	(34,078)
Total licenses and fees	564,450	564,450	530,078	(34,372)
INTERGOVERNMENTAL				
Use tax	148,662	148,662	182,558	33,896
Income tax	758,637	758,637	745,947	(12,690)
Personal property replacement tax	2,000	2,000	1,662	(338)
Sales tax sharing	56,000	56,000	55,678	(322)
Grant revenue	-	-	5,809	5,809
Total intergovernmental	965,299	965,299	991,654	26,355

(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, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
INVESTMENT INCOME				
Interest income	\$ 3,500	\$ 3,500	\$ 7,700	\$ 4,200
Unrealized gain (loss) on investments	-	-	(3,041)	(3,041)
Total investment income	<u>3,500</u>	<u>3,500</u>	<u>4,659</u>	<u>1,159</u>
MISCELLANEOUS				
Public utilities	12,125	12,125	1,747	(10,378)
Yard stickers	10,000	10,000	10,088	88
SWALCO fee	-	-	3,241	3,241
Miscellaneous	2,500	2,500	27,629	25,129
Total miscellaneous	<u>24,625</u>	<u>24,625</u>	<u>42,705</u>	<u>18,080</u>
TOTAL REVENUES	<u>\$ 3,835,505</u>	<u>\$ 3,835,505</u>	<u>\$ 3,766,467</u>	<u>\$ (69,038)</u>

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT				
Administration				
Personnel services	\$ 374,958	\$ 374,958	\$ 354,808	\$ (20,150)
Contractual services	106,155	106,155	83,604	(22,551)
Commodities	9,277	9,277	6,194	(3,083)
Total administration	490,390	490,390	444,606	(45,784)
Legal				
Contractual services	164,000	164,000	115,161	(48,839)
Elected officials				
Personnel services	-	-	-	-
Contractual services	2,295	2,295	1,365	(930)
Total elected officials	2,295	2,295	1,365	(930)
Village clerk				
Personnel services	46,344	46,344	45,522	(822)
Contractual services	5,825	5,825	7,189	1,364
Total village clerk	52,169	52,169	52,711	542
Risk management				
Personnel services	13,200	13,200	13,113	(87)
Contractual services	527,500	527,500	521,176	(6,324)
Capital outlay	5,000	5,000	2,385	(2,615)
Total risk management	545,700	545,700	536,674	(9,026)
Police commission				
Contractual services	3,700	3,700	375	(3,325)
Commodities	100	100	-	(100)
Total police commission	3,800	3,800	375	(3,425)
Human resources				
Personnel services	57,364	57,364	56,590	(774)
Contractual services	17,770	17,770	22,198	4,428
Total human resources	75,134	75,134	78,788	3,654
Technology				
Contractual services	67,075	67,075	78,965	11,890
Total technology	67,075	67,075	78,965	11,890

(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, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT (Continued)				
Finance				
Personnel services	\$ 145,622	\$ 145,622	\$ 143,886	\$ (1,736)
Contractual services	34,405	34,405	38,552	4,147
Total finance	180,027	180,027	182,438	2,411
Total general government	1,580,590	1,580,590	1,491,083	(89,507)
BUILDING AND ZONING				
Administration				
Personnel services	138,394	138,394	143,881	5,487
Contractual services	14,787	14,787	7,298	(7,489)
Commodities	2,050	2,050	974	(1,076)
Total administration	155,231	155,231	152,153	(3,078)
Engineering				
Personnel services	26,537	26,537	26,608	71
Contractual services	10,000	10,000	12,350	2,350
Total engineering	36,537	36,537	38,958	2,421
Total building and zoning	191,768	191,768	191,111	(657)
PUBLIC SAFETY				
Police administration/operations				
Personnel services	1,419,660	1,419,660	1,448,605	28,945
Contractual services	158,065	158,065	146,018	(12,047)
Commodities	54,550	54,550	39,820	(14,730)
Capital outlay	3,000	3,000	24,707	21,707
Total police administration/operations	1,635,275	1,635,275	1,659,150	23,875
Total public safety	1,635,275	1,635,275	1,659,150	23,875
PUBLIC WORKS				
Administration				
Personnel services	474,321	474,321	461,970	(12,351)
Contractual services	63,080	63,080	34,405	(28,675)
Commodities	109,000	109,000	94,076	(14,924)
Total administration	646,401	646,401	590,451	(55,950)

(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, 2016

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
PUBLIC WORKS (Continued)				
Building and grounds				
Contractual services	\$ 23,625	\$ 23,625	\$ 19,260	\$ (4,365)
Commodities	17,000	17,000	16,784	(216)
Total buildings and grounds	40,625	40,625	36,044	(4,581)
Total public works	687,026	687,026	626,495	(60,531)
TOTAL EXPENDITURES	<u>\$ 4,094,659</u>	<u>\$ 4,094,659</u>	<u>\$ 3,967,839</u>	<u>\$ (126,820)</u>

(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, 2016

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Donations	\$ 186,498	\$ 258,930	\$ 72,432
Investment income	-	343	343
Total revenues	186,498	259,273	72,775
EXPENDITURES			
Capital outlay	-	19	19
Total expenditures	-	19	19
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	186,498	259,254	72,756
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(256,760)	(560,000)	(303,240)
NET CHANGE IN FUND BALANCE	\$ (70,262)	(300,746)	\$ (230,484)
FUND BALANCE, JANUARY 1		322,603	
FUND BALANCE, DECEMBER 31		\$ 21,857	

(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, 2016

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Intergovernmental	\$ -	\$ 78,405	\$ 78,405
Investment income	1,000	1,500	500
Miscellaneous	-	15,338	15,338
Total revenues	1,000	95,243	94,243
EXPENDITURES			
Capital outlay	728,154	648,802	(79,352)
Total expenditures	728,154	648,802	(79,352)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(727,154)	(553,559)	173,595
OTHER FINANCING SOURCES (USES)			
Transfers in	500,000	1,200,000	700,000
Total other financing sources (uses)	500,000	1,200,000	700,000
NET CHANGE IN FUND BALANCE			
	<u>\$ (227,154)</u>	646,441	<u>\$ 873,595</u>
FUND BALANCE, JANUARY 1			
		<u>664,896</u>	
FUND BALANCE, DECEMBER 31			
		<u><u>\$ 1,311,337</u></u>	

(See independent auditor's report.)

MAJOR ENTERPRISE FUND

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF NET POSITION
AQUATIC CENTER ACCOUNTS

December 31, 2016

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
CURRENT ASSETS						
Cash and investments	\$ 30,020	\$ 162,668	\$ 366,593	\$ 256,164	\$ -	\$ 815,445
Accounts receivable	1,402	-	-	-	-	1,402
Due from other funds	-	1,400	-	-	(1,400)	-
Total current assets	31,422	164,068	366,593	256,164	(1,400)	816,847
NONCURRENT ASSETS						
Capital assets						
Capital assets not being depreciated	417,459	-	-	-	-	417,459
Capital assets being depreciated, net	3,455,942	-	-	-	-	3,455,942
Net capital assets	3,873,401	-	-	-	-	3,873,401
Total assets	3,904,823	164,068	366,593	256,164	(1,400)	4,690,248
DEFERRED OUTFLOWS OF RESOURCES						
Pension item - IMRF	18,372	-	-	-	-	18,372
Unamortized loss on refunding	32,909	-	-	-	-	32,909
Total deferred outflows of resources	51,281	-	-	-	-	51,281
Total assets and deferred outflows of resources	3,956,104	164,068	366,593	256,164	(1,400)	4,741,529
CURRENT LIABILITIES						
Accounts payable	4,562	-	-	-	-	4,562
Wages payable	517	-	-	-	-	517
Unearned revenue - other	160	-	-	-	-	160
Due to other funds	27,304	-	-	-	(1,400)	25,904
Revenue bonds payable	155,000	-	-	-	-	155,000
Total current liabilities	187,543	-	-	-	(1,400)	186,143
NONCURRENT LIABILITIES						
IMRF net pension liability	40,387	-	-	-	-	40,387
Net revenue bonds payable	2,044,823	-	-	-	-	2,044,823
Total noncurrent liabilities	2,085,210	-	-	-	-	2,085,210
Total liabilities	2,272,753	-	-	-	(1,400)	2,271,353
DEFERRED INFLOWS OF RESOURCES						
None	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	2,272,753	-	-	-	(1,400)	2,271,353
NET POSITION						
Net investment in capital assets	1,706,487	-	-	-	-	1,706,487
Restricted						
Debt service	-	-	366,593	256,164	-	622,757
Repairs and maintenance	-	164,068	-	-	-	164,068
Unrestricted	(23,136)	-	-	-	-	(23,136)
TOTAL NET POSITION	\$ 1,683,351	\$ 164,068	\$ 366,593	\$ 256,164	\$ -	\$ 2,470,176

(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, 2016

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
OPERATING REVENUES						
Charges for service	\$ 423,518	\$ -	\$ -	\$ -	\$ -	\$ 423,518
Total operating revenues	423,518	-	-	-	-	423,518
OPERATING EXPENSES						
Personnel services	225,729	-	-	-	-	225,729
Contractual services	69,488	-	803	-	-	70,291
Commodities	71,585	-	-	-	-	71,585
Maintenance	-	10,936	-	-	-	10,936
Depreciation	174,165	-	-	-	-	174,165
Total operating expenses	540,967	10,936	803	-	-	552,706
OPERATING INCOME (LOSS)	(117,449)	(10,936)	(803)	-	-	(129,188)
NON-OPERATING REVENUES (EXPENSES)						
Investment income	127	168	384	514	-	1,193
Miscellaneous	378	-	-	-	-	378
Interest expense	(1,581)	-	(105,960)	-	-	(107,541)
Total non-operating revenues (expenses)	(1,076)	168	(105,576)	514	-	(105,970)
NET INCOME (LOSS) BEFORE TRANSFERS	(118,525)	(10,768)	(106,379)	514	-	(235,158)
TRANSFERS						
Transfers in	155,999	76,200	560,000	-	(232,199)	560,000
Transfers (out)	(75,000)	(5,999)	(150,000)	(1,200)	232,199	-
Total transfers	80,999	70,201	410,000	(1,200)	-	560,000
CHANGE IN NET POSITION	(37,526)	59,433	303,621	(686)	-	324,842
NET POSITION, JANUARY 1	1,705,976	104,635	62,972	256,850	-	2,130,433
Change in accounting principle	14,901	-	-	-	-	14,901
NET POSITION, JANUARY 1, RESTATED	1,720,877	104,635	62,972	256,850	-	2,145,334
NET POSITION, DECEMBER 31	\$ 1,683,351	\$ 164,068	\$ 366,593	\$ 256,164	\$ -	\$ 2,470,176

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF CASH FLOWS
AQUATIC CENTER ACCOUNTS

For the Year Ended December 31, 2016

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 422,898	\$ -	\$ -	\$ -	\$ -	\$ 422,898
Payments to suppliers	(136,909)	(10,936)	(803)	-	-	(148,648)
Payments to employees	(217,067)	-	-	-	-	(217,067)
Miscellaneous non-operating receipts	378	-	-	-	-	378
Net cash from operating activities	69,300	(10,936)	(803)	-	-	57,561
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund loan receipts (repayments)	27,304	(1,400)	-	-	-	25,904
Transfers in	155,999	76,200	560,000	-	(232,199)	560,000
Transfers (out)	(75,000)	(5,999)	(150,000)	(1,200)	232,199	-
Net cash from noncapital financing activities	108,303	68,801	410,000	(1,200)	-	585,904
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(5,999)	-	-	-	-	(5,999)
Principal paid on long-term debt	(150,000)	-	-	-	-	(150,000)
Interest paid	-	-	(105,960)	-	-	(105,960)
Net cash from capital and related financing activities	(155,999)	-	(105,960)	-	-	(261,959)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	127	168	384	514	-	1,193
Net cash from investing activities	127	168	384	514	-	1,193
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,731	58,033	303,621	(686)	-	382,699
CASH AND CASH EQUIVALENTS, JANUARY 1	8,289	104,635	62,972	256,850	-	432,746
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 30,020	\$ 162,668	\$ 366,593	\$ 256,164	\$ -	\$ 815,445
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (117,449)	\$ (10,936)	\$ (803)	\$ -	\$ -	\$ (129,188)
Miscellaneous non-operating receipts	378	-	-	-	-	378
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Increase (decrease) in						
Depreciation and amortization	174,165	-	-	-	-	174,165
Pension related items	8,551	-	-	-	-	8,551
Accounts receivable	(620)	-	-	-	-	(620)
Accounts payable	4,164	-	-	-	-	4,164
Wages payable	111	-	-	-	-	111
NET CASH FROM OPERATING ACTIVITIES	\$ 69,300	\$ (10,936)	\$ (803)	\$ -	\$ -	\$ 57,561

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

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.

The Canadian National Project Fund - used to account for revenue and expenditures of grant monies received from Canadian National for various projects.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2016

	Sister Cities	Canadian National Project	Total
ASSETS			
ASSETS			
Cash and investments	\$ 5,112	\$ 165,138	\$ 170,250
TOTAL ASSETS	\$ 5,112	\$ 165,138	\$ 170,250
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Unearned revenue - grants	\$ -	\$ 145,297	\$ 145,297
Total liabilities	-	145,297	145,297
FUND BALANCES			
Assigned			
Capital improvements	-	19,841	19,841
Sister Cities	5,112	-	5,112
Total fund balances	5,112	19,841	24,953
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,112	\$ 165,138	\$ 170,250

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

For the Year Ended December 31, 2016

	Sister Cities	Canadian National Project	Total
REVENUES			
Investment income	\$ 3	\$ 248	\$ 251
Miscellaneous	815	-	815
Total revenues	818	248	1,066
EXPENDITURES			
None	-	-	-
Total expenditures	-	-	-
NET CHANGE IN FUND BALANCES	818	248	1,066
FUND BALANCES, JANUARY 1	4,294	19,593	23,887
FUND BALANCES, DECEMBER 31	\$ 5,112	\$ 19,841	\$ 24,953

(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, 2016

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Investment income	\$ -	\$ 3	\$ 3
Miscellaneous	1,000	815	(185)
Total revenues	1,000	818	(182)
EXPENDITURES			
General government			
Dues	305	-	(305)
Miscellaneous	200	-	(200)
Total expenditures	505	-	(505)
NET CHANGE IN FUND BALANCE	\$ 495	818	\$ 323
FUND BALANCE, JANUARY 1		4,294	
FUND BALANCE, DECEMBER 31		\$ 5,112	

(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, 2016

	Original and Final Budget	Actual	Variance Over (Under)
ADDITIONS			
Contributions			
Employer	\$ 280,223	\$ 280,223	\$ -
Employee	99,500	106,897	7,397
	379,723	387,120	7,397
Investment income			
Net appreciation in fair value of investments	-	132,006	132,006
Interest	30,000	20,012	(9,988)
	30,000	152,018	122,018
Less investment expense	-	(5,383)	(5,383)
	30,000	146,635	116,635
	409,723	533,755	124,032
DEDUCTIONS			
Benefits and refunds	78,632	78,632	-
Administration	26,700	13,404	(13,296)
	105,332	92,036	(13,296)
NET INCREASE	\$ 304,391	441,719	\$ 137,328
NET POSITION RESTRICTED FOR PENSIONS			
January 1		2,760,274	
December 31		\$ 3,201,993	

(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, 2016

ALL FUNDS				
	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 79,766	\$ 1,077,888	\$ 873,036	\$ 284,618
TOTAL ASSETS	\$ 79,766	\$ 1,077,888	\$ 873,036	\$ 284,618
LIABILITIES				
Accounts payable	\$ 68	\$ 7,600	\$ 68	\$ 7,600
Due to others	79,698	1,070,288	872,968	277,018
TOTAL LIABILITIES	\$ 79,766	\$ 1,077,888	\$ 873,036	\$ 284,618
SPECIAL SERVICE AREA #1 PROJECT - DEBT SERVICE				
	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 5,048	\$ 267,749	\$ 265,757	\$ 7,040
TOTAL ASSETS	\$ 5,048	\$ 267,749	\$ 265,757	\$ 7,040
LIABILITIES				
Due to others	\$ 5,048	\$ 267,749	\$ 265,757	\$ 7,040
TOTAL LIABILITIES	\$ 5,048	\$ 267,749	\$ 265,757	\$ 7,040
SPECIAL SERVICE AREA #2 PROJECT - DEBT SERVICE				
	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 6,768	\$ 267,414	\$ 264,257	\$ 9,925
TOTAL ASSETS	\$ 6,768	\$ 267,414	\$ 264,257	\$ 9,925
LIABILITIES				
Due to others	\$ 6,768	\$ 267,414	\$ 264,257	\$ 9,925
TOTAL LIABILITIES	\$ 6,768	\$ 267,414	\$ 264,257	\$ 9,925

(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, 2016

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

	Balances				Balances
	January 1	Additions	Deductions		December 31
ASSETS					
Cash and investments	\$ 6,629	\$ 267,819	\$ 265,757		\$ 8,691
TOTAL ASSETS	<u>\$ 6,629</u>	<u>\$ 267,819</u>	<u>\$ 265,757</u>		<u>\$ 8,691</u>
LIABILITIES					
Due to others	\$ 6,629	\$ 267,819	\$ 265,757		\$ 8,691
TOTAL LIABILITIES	<u>\$ 6,629</u>	<u>\$ 267,819</u>	<u>\$ 265,757</u>		<u>\$ 8,691</u>

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

	Balances				Balances
	January 1	Additions	Deductions		December 31
ASSETS					
Cash and investments	\$ 61,321	\$ 274,906	\$ 77,265		\$ 258,962
TOTAL ASSETS	<u>\$ 61,321</u>	<u>\$ 274,906</u>	<u>\$ 77,265</u>		<u>\$ 258,962</u>
LIABILITIES					
Accounts payable	\$ 68	\$ 7,600	\$ 68		\$ 7,600
Due to others	61,253	267,306	77,197		251,362
TOTAL LIABILITIES	<u>\$ 61,321</u>	<u>\$ 274,906</u>	<u>\$ 77,265</u>		<u>\$ 258,962</u>

(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>
Financial Trends These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	83-92
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	93-97
Debt Capacity These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	98-102
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	103-104
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	105-107

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

Fiscal Year	2008	2008*	2009	2010
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 12,816,465	\$ 12,473,431	\$ 12,100,792	\$ 14,011,182
Restricted	5,226,866	4,633,442	2,645,314	601,458
Unrestricted	(165,414)	734,102	399,477	552,494
TOTAL GOVERNMENTAL ACTIVITIES	\$ 17,877,917	\$ 17,840,975	\$ 15,145,583	\$ 15,165,134
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 2,345,316	\$ 2,364,709	\$ 2,080,219	\$ 2,219,059
Restricted	447,431	451,196	584,414	289,252
Unrestricted	179,705	(23,915)	85,215	44,699
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 2,972,452	\$ 2,791,990	\$ 2,749,848	\$ 2,553,010
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 15,161,781	\$ 14,838,140	\$ 14,181,011	\$ 16,230,241
Restricted	5,674,297	5,084,638	3,229,728	890,710
Unrestricted	14,291	710,187	484,692	597,193
TOTAL PRIMARY GOVERNMENT	\$ 20,850,369	\$ 20,632,965	\$ 17,895,431	\$ 17,718,144

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

Data Source

Audited Financial Statements

2011	2012	2013	2014	2015	2016
\$ 13,708,354	\$ 13,503,716	\$ 13,339,396	\$ 13,237,343	\$ 10,667,939	\$ 10,507,396
947,427	1,082,734	1,190,127	1,463,134	1,336,030	974,040
1,458,953	2,074,808	2,516,357	3,182,950	823,797	669,550
<u>\$ 16,114,734</u>	<u>\$ 16,661,258</u>	<u>\$ 17,045,880</u>	<u>\$ 17,883,427</u>	<u>\$ 12,827,766</u>	<u>\$ 12,150,986</u>
\$ 1,776,874	\$ 1,746,181	\$ 1,792,569	\$ 1,755,960	\$ 3,872,338	\$ 3,785,525
391,676	256,819	261,253	305,176	319,822	786,825
309,489	230,834	162,010	145,230	634,399	852,021
<u>\$ 2,478,039</u>	<u>\$ 2,233,834</u>	<u>\$ 2,215,832</u>	<u>\$ 2,206,366</u>	<u>\$ 4,826,559</u>	<u>\$ 5,424,371</u>
\$ 15,485,228	\$ 15,249,897	\$ 15,131,965	\$ 14,993,303	\$ 14,540,277	\$ 14,292,921
1,339,103	1,339,553	1,451,380	1,768,310	1,655,852	1,760,865
1,768,442	2,305,642	2,678,367	3,328,180	1,458,196	1,521,571
<u>\$ 18,592,773</u>	<u>\$ 18,895,092</u>	<u>\$ 19,261,712</u>	<u>\$ 20,089,793</u>	<u>\$ 17,654,325</u>	<u>\$ 17,575,357</u>

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2008	2008*	2009	2010
EXPENSES				
Governmental Activities				
General government	\$ 934,205	\$ 671,138	\$ 783,579	\$ 1,320,911
Building and zoning	1,364,665	215,819	268,409	306,260
Public safety	1,820,217	1,042,970	1,338,932	1,284,492
Public works	5,089,875	2,099,964	3,485,091	663,329
Parks and recreation	348,662	245,056	375,854	408,582
Interest	1,393	8,201	5,919	5,157
Total governmental activities expenses	<u>9,559,017</u>	<u>4,283,148</u>	<u>6,257,784</u>	<u>3,988,731</u>
Business-Type Activities				
Aquatics	1,048,951	438,924	571,328	583,088
Sewer	-	-	-	-
Total business-type activities expenses	<u>1,048,951</u>	<u>438,924</u>	<u>571,328</u>	<u>583,088</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 10,607,968</u>	<u>\$ 4,722,072</u>	<u>\$ 6,829,112</u>	<u>\$ 4,571,819</u>
PROGRAM REVENUES				
Governmental Activities				
Charges for services				
General government	\$ 372,551	\$ 120,698	\$ 320,502	\$ 375,145
Building and zoning	1,327,363	283,861	265,401	244,825
Public safety	278,600	121,431	174,493	137,416
Public works	-	-	-	-
Parks and recreation	62,126	32,785	54,206	49,717
Operating grants and contributions	211,771	143,742	204,609	235,912
Capital grants and contributions	8,829	-	44,545	127,814
Total governmental activities program revenues	<u>2,261,240</u>	<u>702,517</u>	<u>1,063,756</u>	<u>1,170,829</u>
Business-Type Activities				
Charges for services				
Aquatics	243,291	240,828	309,440	279,547
Sewer	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>243,291</u>	<u>240,828</u>	<u>309,440</u>	<u>279,547</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 2,504,531</u>	<u>\$ 943,345</u>	<u>\$ 1,373,196</u>	<u>\$ 1,450,376</u>
NET (EXPENSES) REVENUES				
Governmental activities	\$ (7,297,777)	\$ (3,580,631)	\$ (5,194,028)	\$ (2,817,902)
Business-type activities	(805,660)	(198,096)	(261,888)	(303,541)
TOTAL PRIMARY GOVERNMENT NET (EXPENSES) REVENUES	<u>\$ (8,103,437)</u>	<u>\$ (3,778,727)</u>	<u>\$ (5,455,916)</u>	<u>\$ (3,121,443)</u>

	2011	2012	2013	2014	2015	2016
\$	1,435,196	\$ 1,202,576	\$ 1,547,590	\$ 1,433,958	\$ 1,808,015	\$ 2,027,037
	312,618	370,625	511,300	865,096	761,186	1,022,469
	1,302,247	1,341,417	1,287,164	1,405,975	2,386,651	1,914,277
	1,107,541	1,009,570	846,084	1,052,568	1,050,881	1,241,242
	520,390	547,137	689,946	807,156	1,031,292	1,025,804
	4,318	3,435	102,925	183,730	148,062	134,997
	4,682,310	4,474,760	4,985,009	5,748,483	7,186,087	7,365,826
	560,021	573,378	610,695	587,821	640,741	660,247
	-	-	-	-	115,912	157,577
	560,021	573,378	610,695	587,821	756,653	817,824
\$	5,242,331	\$ 5,048,138	\$ 5,595,704	\$ 6,336,304	\$ 7,942,740	\$ 8,183,650
\$	416,333	\$ 417,211	\$ 395,253	\$ 391,605	\$ 398,519	\$ 401,282
	403,122	281,282	528,395	904,290	1,199,716	1,200,388
	153,834	150,566	177,440	147,819	153,428	143,872
	446,200	20,000	44,000	69,012	-	-
	55,793	73,417	125,560	60,328	208,708	193,084
	318,485	239,527	265,617	340,582	201,303	208,033
	217,542	428,619	344,094	463,240	40,983	107,599
	2,011,309	1,610,622	1,880,359	2,376,876	2,202,657	2,254,258
	232,193	272,583	290,121	278,611	312,671	423,518
	-	-	-	-	29,567	44,441
	-	5,374	-	-	-	-
	232,193	277,957	290,121	278,611	342,238	467,959
\$	2,243,502	\$ 1,888,579	\$ 2,170,480	\$ 2,655,487	\$ 2,544,895	\$ 2,722,217
\$	(2,671,001)	\$ (2,864,138)	\$ (3,104,650)	\$ (3,371,607)	\$ (4,983,430)	\$ (5,111,568)
	(327,828)	(295,421)	(320,574)	(309,210)	(414,415)	(349,865)
\$	(2,998,829)	\$ (3,159,559)	\$ (3,425,224)	\$ (3,680,817)	\$ (5,397,845)	\$ (5,461,433)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2008	2008*	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities				
Taxes				
Property	\$ 1,457,956	\$ 1,573,980	\$ 1,644,331	\$ 1,655,146
Road and bridge	24,253	26,044	15,573	17,947
Sales	134,837	99,675	112,426	98,707
Amusement	-	-	-	2,520
Telecommunications and utility	47,303	33,390	49,460	362,993
Intergovernmental				
Use	93,356	78,486	87,123	100,952
Income	592,297	463,844	611,462	592,076
Replacement	1,996	1,190	1,621	1,713
Investment income	307,352	123,855	98,360	47,888
Miscellaneous	1,277,528	1,143,225	60,429	147,855
Transfers in (out)	-	-	(191,620)	(96,463)
Total governmental activities	3,936,878	3,543,689	2,489,165	2,931,334
Business-Type Activities				
Investment income	56,872	11,846	11,351	6,277
Connection fees	-	-	-	-
Miscellaneous	5,326	6,788	5,775	7,931
Transfers in	-	-	191,620	96,463
Total business-type activities	62,198	18,634	208,746	110,671
TOTAL PRIMARY GOVERNMENT	\$ 3,999,076	\$ 3,562,323	\$ 2,697,911	\$ 3,042,005
CHANGE IN NET POSITION				
Governmental activities	\$ (3,360,899)	\$ (36,942)	\$ (2,704,863)	\$ 113,432
Business-type activities	(743,462)	(179,462)	(53,142)	(192,870)
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ (4,104,361)	\$ (216,404)	\$ (2,758,005)	\$ (79,438)

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

Data Source

Audited Financial Statements

	2011	2012	2013	2014	2015	2016
\$	1,845,400	\$ 1,839,594	\$ 1,852,159	\$ 1,886,580	\$ 1,880,861	\$ 1,926,474
	17,251	22,321	17,196	18,420	17,361	17,532
	113,385	116,166	127,735	179,487	177,840	182,942
	-	2,801	1,312	2,566	6,595	2,217
	653,258	603,957	607,417	600,113	558,460	539,486
	111,736	120,732	130,782	149,254	170,628	182,558
	596,510	673,328	730,133	733,685	815,367	745,947
	1,460	1,546	1,725	1,761	1,885	1,662
	18,984	13,632	8,465	201,303	159,208	156,056
	508,400	136,190	272,197	535,535	835,773	815,746
	(245,783)	(119,605)	(259,849)	(298,256)	(2,778,533)	(560,000)
	3,620,601	3,410,662	3,489,272	4,010,448	1,845,445	4,010,620
	5,875	2,662	964	887	1,696	2,550
	-	-	-	-	276,000	368,287
	1,199	2,777	41,759	601	156	378
	245,783	119,605	259,849	298,256	2,778,533	560,000
	252,857	125,044	302,572	299,744	3,056,385	931,215
\$	3,873,458	\$ 3,535,706	\$ 3,791,844	\$ 4,310,192	\$ 4,901,830	\$ 4,941,835
\$	949,600	\$ 546,524	\$ 384,622	\$ 638,841	\$ (3,137,985)	\$ (1,100,948)
	(74,971)	(170,377)	(18,002)	(9,466)	2,641,970	581,350
\$	874,629	\$ 376,147	\$ 366,620	\$ 629,375	\$ (496,015)	\$ (519,598)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2008	2008*	2009	2010**
GENERAL FUND				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ 157,867
Restricted				
Highway and streets	-	-	-	34,845
Assigned				
Cash reserves	-	-	-	162,763
Unassigned	-	-	-	-
Reserved	-	55,751	126,931	-
Unreserved	550,432	114,131	177,748	-
TOTAL GENERAL FUND	\$ 550,432	\$ 169,882	\$ 304,679	\$ 355,475
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted				
Highway and streets	-	-	-	301,900
Debt service	-	-	-	17,204
Capital improvements	-	-	-	212,373
Special recreation	-	-	-	35,136
Assigned				
Capital improvements	-	-	-	539,321
Parks and recreation	-	-	-	135,987
Sister Cities	-	-	-	-
Unassigned	-	-	-	-
Reserved	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	-	-
TOTAL ALL OTHER GOVERNMENT FUNDS	\$ 4,828,321	\$ 5,567,592	\$ 3,151,400	\$ 1,241,921

*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

	2011	2012	2013	2014	2015	2016
\$	168,988	\$ 187,049	\$ 35,145	\$ 65,615	\$ 71,296	\$ 42,758
	-	-	-	-	-	-
	742,454	1,173,612	1,192,322	1,332,063	1,351,238	1,420,913
	-	278,684	528,117	546,020	776,900	10,575
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	911,442	\$ 1,639,345	\$ 1,755,584	\$ 1,943,698	\$ 2,199,434	\$ 1,474,246
\$	-	\$ 867	\$ 17,332	\$ 17,332	\$ 17,852	\$ 17,852
	368,909	469,169	498,996	568,544	447,050	368,897
	-	320	6,243,097	5,749,639	5,418,760	4,461,500
	293,991	270,966	249,360	294,601	-	-
	284,527	342,279	438,674	485,350	460,220	478,643
	995,561	897,302	1,280,026	1,676,407	2,084,580	2,578,211
	-	28,708	27,621	-	-	-
	-	-	-	2,677	4,294	5,112
	-	-	-	(89,539)	(179,798)	(133,595)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	1,942,988	\$ 2,009,611	\$ 8,755,106	\$ 8,705,011	\$ 8,252,958	\$ 7,776,620

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2008	2008*	2009	2010
REVENUES				
Taxes	\$ 1,664,349	\$ 1,733,089	\$ 1,821,790	\$ 2,137,313
Licenses, permits and fees	1,970,632	535,720	788,389	782,590
Intergovernmental	908,249	687,262	904,815	930,653
Investment income	307,352	123,855	98,360	47,888
Contribution from property owners	-	-	-	-
Miscellaneous	1,347,536	1,166,280	131,187	300,182
Total revenues	6,198,118	4,246,206	3,744,541	4,198,626
EXPENDITURES				
General government	921,407	654,730	768,837	1,191,122
Building and zoning	1,365,255	215,819	215,496	313,575
Public safety	1,779,245	926,758	1,309,295	1,232,033
Public works	5,177,240	2,026,719	3,433,189	2,935,261
Parks and recreation	87,001	51,976	97,978	142,531
Capital outlay	191,351	2,284	481	127,814
Debt service				
Principal	25,514	105,881	12,592	13,353
Interest and fiscal charges	1,393	8,201	5,919	5,157
Total expenditures	9,548,406	3,992,368	5,843,787	5,960,846
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,350,288)	253,838	(2,099,246)	(1,762,220)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,091,000	2,501,275	982,667	36,856
Transfers (out)	(1,091,000)	(2,501,275)	(1,174,287)	(133,319)
Debt certificates issued at par	-	-	-	-
Premium of debt certificates issued	-	-	-	-
Installment contracts issued	102,809	104,883	-	-
Total other financing sources (uses)	102,809	104,883	(191,620)	(96,463)
NET CHANGE IN FUND BALANCES	\$ (3,247,479)	\$ 358,721	\$ (2,290,866)	\$ (1,858,683)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES				
	0.30%	3.29%	0.32%	0.32%

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

Data Source

Audited Financial Statements

	2011	2012	2013	2014	2015	2016
\$	2,629,294	\$ 2,584,839	\$ 2,605,818	\$ 2,651,562	\$ 2,584,873	\$ 2,612,973
	975,051	945,277	1,398,578	1,850,366	2,124,849	2,402,311
	1,203,190	1,208,133	1,140,233	1,448,439	1,247,627	1,274,643
	18,984	13,632	8,465	201,303	159,208	156,056
	-	-	30,580	114,838	-	-
	1,051,174	455,258	422,806	419,072	710,078	378,895
	5,877,693	5,207,139	5,606,480	6,685,580	6,826,635	6,824,878
	1,380,475	1,194,467	1,284,758	1,403,087	1,657,116	1,795,348
	268,975	330,120	468,692	790,529	683,338	944,272
	1,273,349	1,261,662	1,275,287	1,419,335	1,552,381	1,659,150
	853,134	784,597	802,468	947,117	894,609	913,322
	251,742	280,814	359,201	574,735	704,703	676,472
	328,690	422,837	456,632	318,824	164,972	648,821
	14,193	15,076	46,597	605,000	645,000	655,000
	4,318	3,435	102,925	190,678	155,469	142,519
	4,374,876	4,293,008	4,796,560	6,249,305	6,457,588	7,434,904
	1,502,817	914,131	809,920	436,275	369,047	(610,026)
	97,629	466,250	216,827	409,940	719,364	1,582,594
	(343,412)	(585,855)	(476,676)	(708,196)	(1,284,728)	(2,142,594)
	-	-	6,240,000	-	-	-
	-	-	71,663	-	-	-
	-	-	-	-	-	-
	(245,783)	(119,605)	6,051,814	(298,256)	(565,364)	(560,000)
\$	1,257,034	\$ 794,526	\$ 6,861,734	\$ 138,019	\$ (196,317)	\$ (1,170,026)
	0.43%	0.45%	3.27%	13.42%	12.55%	11.15%

VILLAGE OF HAWTHORN WOODS, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Farm Property	Railroad Property	Total Taxable Assessed Value	Total Direct Tax Rate (A)	Estimated Actual Taxable Value	Estimated Actual Taxable Value
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%
2015	392,167,789	6,872,813	1,965,169	112,015	401,117,786	0.481	1,203,353,358	33.333%

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

Note: 2016 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

Tax Levy Year	2006	2007	2008	2009
Village Direct Rates (A)				
Corporate	0.224	0.222	0.044	0.018
Police protection	0.051	0.047	0.167	0.166
Street and bridge - Ela	0.043	0.037	0.096	0.074
Audit tax	0.003	0.003	0.003	0.004
Liability insurance	0.012	0.011	0.000	0.000
Unemployment insurance	0.000	0.000	0.011	0.029
Special recreation	0.013	0.013	0.013	0.040
Total direct rate without SSAs	0.346	0.333	0.334	0.331
Special Service Areas				
SSA #1 (B)	0.249	0.231	0.223	0.221
SSA #2	0.170	0.148	0.139	0.132
SSA #3	0.228	0.209	0.210	0.204
Total direct rate with SSAs	0.993	0.921	0.906	0.888
Overlapping Rates				
Lake County	0.450	0.444	0.453	0.464
Lake County Forest Preserve	0.204	0.201	0.199	0.200
Ela Township - Corp	0.086	0.082	0.084	0.084
Ela Township - R & B	0.010	0.010	0.005	0.007
Ela Township - Gravel	0.032	0.032	0.038	0.036
School District #95	3.992	3.830	3.899	3.901
School District #96	2.989	2.772	2.869	2.916
School District #79	2.529	2.379	2.435	2.485
Consolidated H.S. District #125	2.134	2.114	2.139	2.185
Community College #532	0.195	0.192	0.196	0.200
Ela Area Library	0.317	0.306	0.308	0.308
Countryside Fire District	0.398	0.390	0.417	0.421
Lake Zurich Fire District	0.511	0.547	0.561	0.564
Wauconda Fire District	0.425	0.421	0.432	0.442
Long Grove Fire District	0.549	0.547	0.549	0.599
TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION	15.814	15.188	15.490	15.700
SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE OF HAWTHORN WOODS	3.8%	3.7%	3.6%	3.5%

(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: 2016 information not available at the time of printing.

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

2010	2011	2012	2013	2014	2015
0.086	0.061	0.068	0.124	0.128	0.117
0.147	0.190	0.229	0.239	0.242	0.273
0.079	0.092	0.087	0.047	0.028	0.000
0.004	0.005	0.005	0.006	0.005	0.006
0.025	0.028	0.031	0.033	0.046	0.045
0.000	0.000	0.000	0.000	0.000	0.000
0.040	0.040	0.040	0.040	0.040	0.040
0.381	0.416	0.460	0.489	0.489	0.481
0.229	0.253	0.279	0.267	0.267	0.257
0.135	0.149	0.166	0.161	0.165	0.160
0.214	0.242	0.271	0.259	0.261	0.251
0.959	1.060	1.176	1.176	1.182	1.149
0.505	0.554	0.608	0.663	0.682	0.663
0.198	0.201	0.212	0.218	0.210	0.208
0.091	0.099	0.088	0.100	0.100	0.098
0.008	0.009	0.010	0.057	0.055	0.055
0.039	0.042	0.030	0.000	0.000	0.000
4.136	4.446	4.914	5.242	5.291	5.191
3.086	3.453	3.756	3.976	4.040	3.870
2.663	2.937	3.267	3.521	3.606	3.514
2.306	2.465	2.751	2.989	3.049	3.004
0.218	0.240	0.272	0.296	0.306	0.299
0.329	0.356	0.386	0.409	0.410	0.398
0.422	0.495	0.552	0.597	0.613	0.598
0.607	0.504	0.654	0.695	0.705	0.542
0.480	0.530	0.614	0.681	0.709	0.699
0.616	0.692	0.766	0.812	0.830	0.798
16.663	18.083	20.056	21.432	21.788	21.086
3.7%	3.7%	3.7%	3.5%	3.5%	3.5%

VILLAGE OF HAWTHORN WOODS, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2015 Tax Levy			2006 Tax Levy		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Series A of IBG Hawthorn Trails LLC	\$ 1,631,538	1	0.41%			
Hawthorn Woods Country Club LLC	1,480,107	2	0.37%	801,885	3	0.19%
Aqua Illinois, Inc. Regional Office	755,897	3	0.19%			
IBG Hawthorn Trails LLC	653,987	4	0.16%			
Pulte Home Corporation	606,658	5	0.15%			
Toll Brothers Inc	603,454	6	0.15%	1,520,242	1	0.36%
Orleans RHIL, LP	521,073	7	0.13%			
Orleans RHIL, LP	517,506	8	0.13%			
AGP Investments, LLC	486,949	9	0.12%			
Tauke Properties, Inc	481,372	10	0.12%			
Toll IL HWCC, LP				895,199	2	0.21%
Parkway Bank & Trust Company				717,500	4	0.17%
Starzwood Development Group				695,711	5	0.16%
Individual				545,487	6	0.13%
Individual				497,395	7	0.12%
Boss Hob, LLC				490,885	8	0.12%
Individual				469,839	9	0.11%
Individual				468,631	10	0.11%
	<u>\$ 7,738,541</u>		<u>1.93%</u>	<u>\$ 7,102,774</u>		<u>1.67%</u>

Notes: 2016 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

Levy Year	Tax Levied (B)	Levy Collections	
		Amount	Percentage of Levy
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	3,089,227	3,021,687	97.81%
2016(A)	3,314,196	N/A	N/A

(A) Collections for the 2016 Tax Levy Year will not be received until fiscal year 2017.

(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			
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
2016	-	4,384,786	-	-	2,190,000	9,823	6,584,609	1.99%	859

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 103 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

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, 2016

Governmental Unit	Gross Debt (A)	Percentage Debt Applicable to the Village (B)	Village's Share of Debt
Village of Hawthorn Woods	\$ 4,384,786	100.000%	\$ 4,384,786
Lake County, including Forest Preserve District	457,110,000	1.714%	7,834,865
Ela Area Public Library District	2,120,000	18.842%	399,450
Fremont Public Library District	1,925,000	7.762%	149,419
Mundelein Park District	4,370,000	0.067%	2,928
Countryside Fire Protection District	3,730,000	11.185%	417,201
School District #79	18,675,000	21.705%	4,053,409
School District #96	405,000	1.812%	7,339
Community Unit School District #95	14,497,872	14.195%	2,057,973
High School District #120	19,159,016	6.447%	1,235,182
High School District #125	33,420,000	3.406%	1,138,285
Community College District #532	<u>67,415,000</u>	1.806%	<u>1,217,515</u>
TOTAL OVERLAPPING DEBT	<u>\$ 622,826,888</u>		<u>\$ 18,513,566</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 627,211,674</u>		<u>\$ 22,898,352</u>

(A) Gross debt is calculated as of December 31, 2016.

(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 2015 EAV's, the most current available.

Data Source

Office of the Lake County Clerk

VILLAGE OF HAWTHORN WOODS, ILLINOIS

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Revenues*	Principal	Interest	Coverage
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
2016	425,089	150,000	105,960	1.66

*As defined in applicable bond indentures and governing laws.

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

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

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2016

Maximum allowable general obligation debt (8.625% of assessed valuation of \$401,117,786)	\$ 34,596,409
General obligation bonds	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 34,596,409</u></u>

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Personal Income	(2) Unemployment Rate
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%
2016	7,663	330,727,417	43,159	5.2%

*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	2016			2007		
	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%	82.0	2	1.4%
Barn Nursery	50.0	3	0.7%	22.0	6	0.4%
Village of Hawthorn Woods	35.0	4	0.4%	31.5	3	0.5%
Hawthorn Gardens	30.0	5	0.3%	27.0	4	0.5%
St. Matthew Lutheran Church and School	20.0	6	0.3%	19.0	7	0.3%
Country Bumpkin	18.0	7	0.2%	17.0	8	0.3%
Kiddy Garden Childcare	14.0	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				25.0	5	0.4%
TOTAL	313			341		

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2008	2008*	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL GOVERNMENT										
Administration	3.0	3.0	3.0	3.0	2.0	4.0	4.0	2.0	3.0	3.0
Finance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Building and zoning	1.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0	4.0	4.0
Parks and recreation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	5.0	4.0
PUBLIC SAFETY										
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Officers	11.0	11.0	8.0	9.0	9.0	9.0	9.0	10.0	12.0	12.0
HIGHWAYS AND STREETS										
Administration	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0	3.0
Street maintenance	3.0	3.0	3.0	3.0	5.0	5.0	6.0	6.0	6.0	6.0
TOTAL	22.0	22.0	19.0	21.0	22.0	25.0	26.0	28.0	36.0	35.0

*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

Function/Program	2008	2008*	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
Police										
Physical arrests	212	146	119	115	138	132	81	70	79	83
Parking violations	508	405	871	680	638	767	1,426	1,011	662	647
Traffic violations	2,624	1,493	2,386	2,170	2,009	1,235	1,783	743	1,028	1,123
PUBLIC WORKS										
Vehicles maintained by department	20.0	16.0	20.0	20.0	20.0	21.0	22.0	24.0	25.0	26.0
Street reconstruction (miles)	3.0	-	0.5	-	-	-	-	-	-	-
Street resurfacing (miles)	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	2008	2008*	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
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	10	10	8	8	8	8	8	8	8	8
PUBLIC WORKS										
Miles of streets	58.0	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	53	53	53
Traffic signals	2	2	2	2	2	2	2	2	2	2
WASTEWATER										
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	0.5
Miles of forcemain	-	-	-	-	-	2.4	2.4	2.4	2.4	2.4
Lift stations	-	-	-	-	-	2	2	2	2	2

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

Data Source

Various Village departments