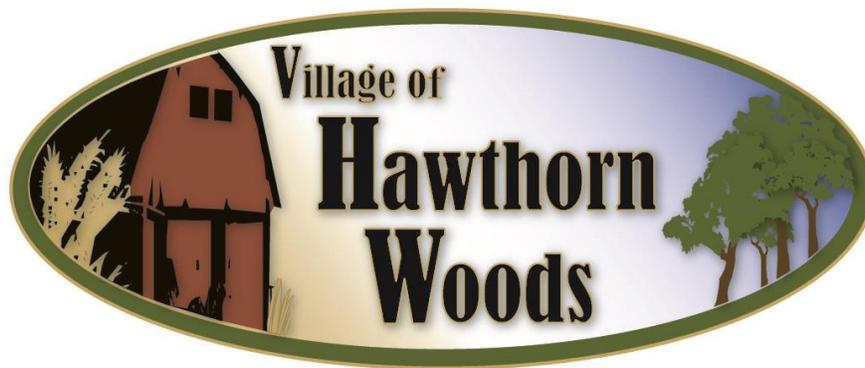


**VILLAGE OF
HAWTHORN WOODS, ILLINOIS**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
December 31, 2018

Prepared By

The Finance Department

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INTRODUCTORY SECTION

VILLAGE OF HAWTHORN WOODS, ILLINOIS

LIST OF ELECTED AND APPOINTED OFFICIALS

December 31, 2018

VILLAGE OF BOARD TRUSTEES

Joseph Mancino, Mayor

Kelly Corrigan

Michael David

Dominick DiMaggio

Jayne Kosik

James Kaiser

Steve Riess

Chief Operating Officer
Pamela O. Newton, MSOL,
ICMA Credentialed Manager

Chief Administrative Officer/Village Clerk
Donna Lobaito, RMC

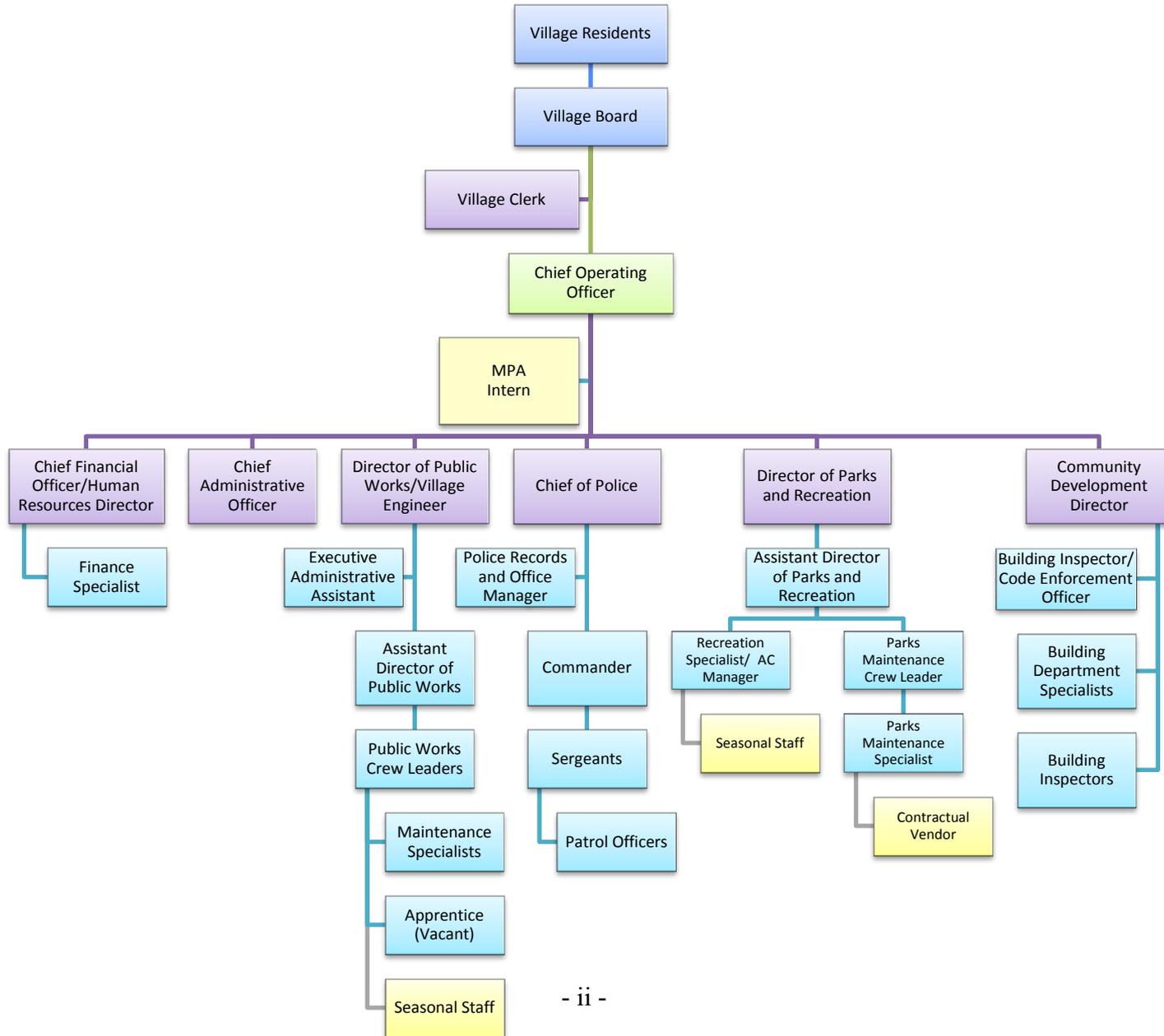
Chief Financial Officer/Human Resources Director
Kristin N. Kazenas, CPA, MBA, CPFO

Chief of Police
Jennifer Paulus, CPC (ILACP Certified Police Chief)

Director of Public Works/Village Engineer
Erika Frable, PE

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

Village of Hawthorn Woods – Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

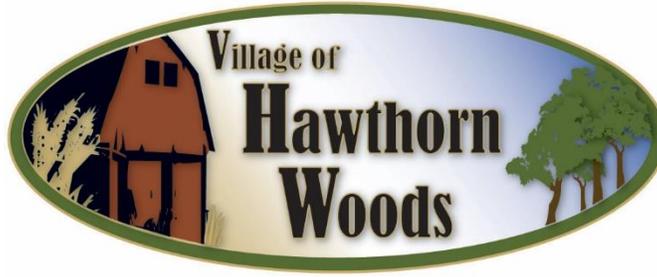
**Village of Hawthorn Woods
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO



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

April 22, 2019

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, 2018 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, 2018. 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 8,348, as a result of the special census conducted in the fall of 2017. 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, guided by the Comprehensive Plan. The Village is also in land development discussions that could increase residential housing units.

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 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 followed by a second round of priority assessments ranking. 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 so that the total budget is balanced, the budget is presented to the Finance 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. The Village continues to have a strong new housing market, having issued 84 new home permits in 2018, 65 new home permits in 2017, 78 new home permits in 2016, 74 new home permits in 2015, and 36 new home permits in 2014.

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.

Long-term Financial Planning

The budget for the twelve months ended December 31, 2019 is balanced. The focus for managing the 2019 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 ten 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, 2018, the fund balance in the general fund is \$2,083,031, which is equal to 50% of the 2019 expenditure budget. This balance exceeds the Village's goal of 35% of the following year's annual operating budget.

Over the past five years, two engineering studies have been completed by the Village's consulting engineer. These studies revealed that 90% of Village roadways urgently need either resurfacing or reconstruction. Additionally, corrugated metal pipes under roadways and the Village's aged storm system are failing village-wide.

The Village created a citizen task force comprised of Homeowners Association representatives, business leaders, civic leaders and other stake holders to guide how to fund the highest priority streets and drainage needs. As a result of the citizen task force recommendation, the Village is considering a bond referendum question to fund a Village-wide streets and drainage improvement project to repair and replace aging infrastructure.

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, all approved checks are still hand signed by the Chief Operating Officer and the Chief Administrative Officer facilitating a three-tier review process. 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 and diversify our revenue base. Additionally, land parcel annexations are still anticipated in the future for Village growth expansion opportunities.

Discussions regarding utility expansion services and capacity standards for water and sewer service are underway regarding additional capacity for sewer treatment. In order to comply with a growing demand for potable water, Aqua Illinois completed construction of the Village's first elevated water tower in 2018 that now serves the needs of a growing population and exceeds emergency water supply standards. This 1.8 million dollar investment into Hawthorn Woods has eliminated any concern regarding meeting the water supply and storage requirements of our growing community.

Hawthorn Woods is a leader in the Lake County area in new housing construction starts as a result of our recent home building success. The Village of Hawthorn Woods is actively diversifying our housing stock to attract and retain a vibrant and diverse population.

Active building construction projects currently underway in Hawthorn Woods are numerous.

1. William Ryan Homes is constructing a development of 60 new homes known as the **Stonebridge** development located off of Old McHenry Road. 36 lots remain to be built with single family homes out of an approved 60 homes.
2. Additionally, at the southern border of the Village at Route 22 and Quentin Road, Icon Homes has started construction on a new urban design single family home product in the **Hawthorn Trails Phase 3** subdivision. 34 homes are still remaining to be built out of 37 homes approved.
3. Proposals are also being considered to begin the construction of a retail/commercial 5 acre parcel at the corner of Quentin Road and Route 22. Construction on the commercial property is expected in the fall of 2019.
4. Entitlements were also granted for a new housing start known as the **Villas at the Commons** by K. Hovanian Homes on Midlothian Road. 72 new single family home lots will be built as a part of this new subdivision, with ground breaking scheduled the second quarter of 2019.
5. **High Point Estates** was also approved in 2018 as a neighborhood of duplexes in the northern part of Hawthorn Woods. The models are underway, with 16 units remaining for sale and buildout out of 18 approved. Taylor Morrison is the developer.
6. One of our largest developments, **Hawthorn Hills**, is in its last buildout phase with just 17 lots remaining out of 220 approved single family homes. Pulte Homes is the developer and we anticipate this subdivision selling out in 2019.

Awards and Acknowledgements

In 2018, Hawthorn Woods was selected as the National Champion Community by the America in Bloom Foundation. Hawthorn Woods competed with cities and towns throughout the nation and was judged on several criteria that make a community sustainable and an attractive place to live. Hawthorn Woods also received recognition as the 3rd place winner of the national Environmental Initiatives category. Our work to showcase our natural resources and our initiatives underway to conserve and restore our ecosystems were highlighted, along with our Urban Forestry Program.

The Village received several additional acknowledgements in 2018, including the second Safest City in the State of Illinois, the Most Desirable Place to Live in the United States in our population category, and in the top five wealthiest cities in Illinois. These acknowledgements from independent sources recognize the efforts of the Village Board and staff to keep Hawthorn Woods a highly desirable place to live, work, play, and shop in a natural setting among trees, lakes and parks.

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, 2017. This was the thirteenth (13th) 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

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

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, 2018 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The Village adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information as discussed in Note 12 to the basic financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sikich LLP

Naperville, Illinois
May 14, 2019

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

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, 2018. 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 \$15,428,453 as of December 31, 2018. Unrestricted net position (net position used to meet ongoing operations) totaled \$575,226. Restricted net position totaled \$1,190,078 and net position invested in capital assets totaled \$13,663,149.
- The Village's net position decreased as a result of this year's operations. Net position of business-type activities decreased by \$89,880, or 1.7 percent; and net position of the governmental activities decreased by \$921,869, or 8.3 percent.
- Capital assets net of depreciation totaled \$15,518,384 as of December 31, 2018, a decrease of \$514,066, due primarily to depreciation expense for the year ended December 31, 2018 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, 2018

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, 2018

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 eight 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 one non-major governmental fund: the Sister Cities Fund.

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

The basic governmental fund financial statements can be found on pages 7 - 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, 2018

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, 2018

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 \$15,428,543.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	Year Ended 12/31/2018	Year Ended 12/31/2017	Year Ended 12/31/2018	Year Ended 12/31/2017	Year Ended 12/31/2018	Year Ended 12/31/2017
Current and Other Assets	\$ 9,835,429	\$ 10,980,883	\$ 1,715,034	\$ 1,776,440	\$ 11,550,463	\$ 12,757,323
Capital Assets	10,034,852	10,314,182	5,483,532	5,718,268	15,518,384	16,032,450
Total Assets	19,870,281	21,295,065	7,198,566	7,494,708	27,068,847	28,789,773
Deferred Outflows	1,458,255	1,432,473	52,048	56,834	1,510,303	1,489,307
Total Assets & Deferred Outflows	21,328,536	22,727,538	7,250,614	7,551,542	28,579,150	30,279,080
Other Liabilities	1,521,098	879,707	176,060	69,960	1,697,158	949,667
Long-Term Debt	6,667,487	7,713,496	1,818,595	2,105,807	8,486,082	9,819,303
Total Liabilities	8,188,585	8,593,203	1,994,655	2,175,767	10,183,240	10,768,970
Deferred Inflows	2,946,967	2,859,588	20,490	6,846	2,967,457	2,866,434
Total Liabilities & Deferred Inflows	11,135,552	11,452,791	2,015,145	2,182,613	13,150,697	13,635,404
Net Position						
Invested in Capital Assets	10,034,852	10,314,182	3,628,297	3,704,720	13,663,149	14,018,902
Restricted	804,036	934,097	386,042	557,334	1,190,078	1,491,431
Unrestricted (Deficit)	(645,904)	26,468	1,221,130	1,106,875	575,226	1,133,343
Total Net Position	\$ 10,192,984	\$ 11,274,747	\$ 5,235,469	\$ 5,368,929	\$ 15,428,453	\$ 16,643,676

A large portion of the Village's net position, \$13,663,149 or 88.6 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, \$1,190,078 or 7.7 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, 2018, the Village is reporting unrestricted net position of \$575,226 or 3.7 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, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	Year Ended 12/31/2018	Year Ended 12/31/2017	Year Ended 12/31/2018	Year Ended 12/31/2017	Year Ended 12/31/2018	Year Ended 12/31/2017
Revenues						
Program Revenues						
Charges for Services	\$ 1,716,441	\$ 1,675,353	\$ 784,638	\$ 870,379	\$ 2,501,079	\$ 2,545,732
Operating Grants/Contrib.	213,158	207,320	-	-	213,158	207,320
Capital Grants/Contrib.	100,058	196,039	-	-	100,058	196,039
General Revenues						
Property Taxes	2,091,434	2,002,924	-	-	2,091,434	2,002,924
Road and Bridge Taxes	17,066	16,923	-	-	17,066	16,923
Sales Taxes	192,156	188,927	-	-	192,156	188,927
Income and Use Taxes	1,006,685	905,311	-	-	1,006,685	905,311
Replacement Taxes	1,502	1,766	-	-	1,502	1,766
Telecomm./Utility Taxes	549,171	529,351	-	-	549,171	529,351
Other General Revenues	414,127	396,398	7,553	5,720	421,680	402,118
Total Revenues	6,301,798	6,120,312	792,191	876,099	7,093,989	6,996,411
Expenses						
General Government	1,720,488	2,089,637	-	-	1,720,488	2,089,637
Building and Zoning	755,016	746,990	-	-	755,016	746,990
Public Safety	2,062,104	1,894,294	-	-	2,062,104	1,894,294
Public Works	1,202,938	979,151	-	-	1,202,938	979,151
Parks and Recreation	1,283,701	1,121,580	-	-	1,283,701	1,121,580
Interest on Long-Term Debt	99,420	119,899	-	-	99,420	119,899
Aquatics	-	-	677,370	696,825	677,370	696,825
Sewer	-	-	304,701	279,716	304,701	279,716
Total Expenses	7,123,667	6,951,551	982,071	976,541	8,105,738	7,928,092
Change in Net Position Before Transfers	(821,869)	(831,239)	(189,880)	(100,442)	(1,011,749)	(931,681)
Transfers	(100,000)	(45,000)	100,000	45,000	-	-
Change in Net Position	(921,869)	(876,239)	(89,880)	(55,442)	(1,011,749)	(931,681)
Net Position-Beginning	11,274,747	12,150,986	5,368,929	5,424,371	16,643,676	17,575,357
Change in Accounting Principle	(159,894)	-	(43,580)	-	(203,474)	-
Net Position-Beginning	11,114,853	12,150,986	5,325,349	5,424,371	16,440,202	17,575,357
Net Position-Ending	\$ 10,192,984	\$ 11,274,747	\$ 5,235,469	\$ 5,368,929	\$ 15,428,453	\$ 16,643,676

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

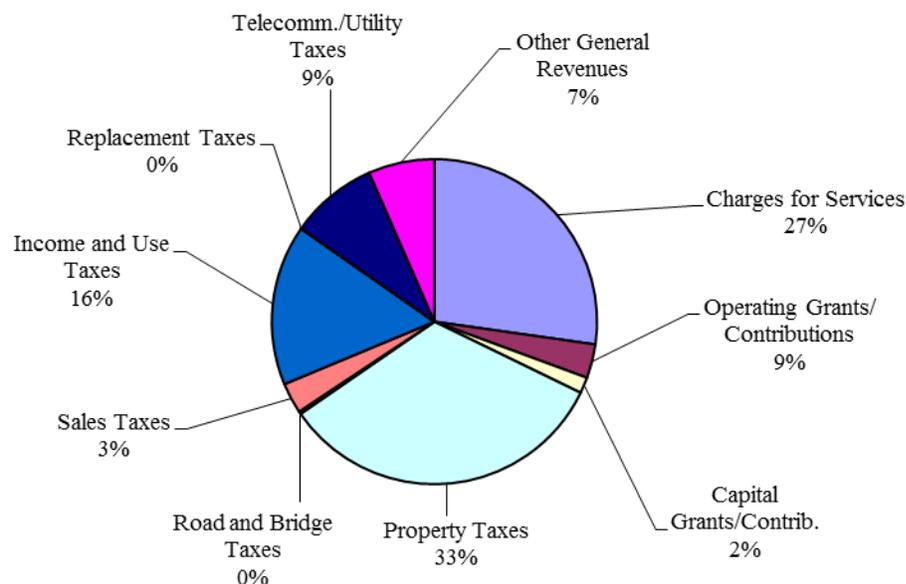
Net position of the Village's governmental activities decreased by 8.3 percent (\$10,192,984 as of December 31, 2018 compared to \$11,274,747, as of December 31, 2017). Consistent with the prior year, there was diligent budget monitoring efforts by management, including delaying expenditures until adequate revenues were received, supplemented by new revenue sources.

Net position of business-type activities decreased by 1.7 percent (\$5,235,469 as of December 31, 2018 compared to \$5,368,929 as of December 31, 2017). The aquatics net position decreased by \$226,380 as of December 31, 2018 due primarily to fact that the aquatic center operating revenues of \$348,639 were insufficient to cover the operating expenses of the facility, including depreciation expense of \$175,141 and the interest expense on the revenue bonds of \$96,972. Conversely, sewer fund net position increased by \$136,500 due primarily to significant connection fees of \$266,000 from new home development.

Governmental Activities

Revenues for governmental activities totaled \$6,301,798, while the cost of all governmental functions totaled \$7,123,667. This results in a decrease in net position before transfers of \$821,869. For the year ended December 31, 2017, revenues of \$6,120,312 were less than expenses of \$6,951,551, resulting in a decrease in net position before transfers and change in accounting principle of \$831,239. 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, 2018**



VILLAGE OF HAWTHORN WOODS, ILLINOIS

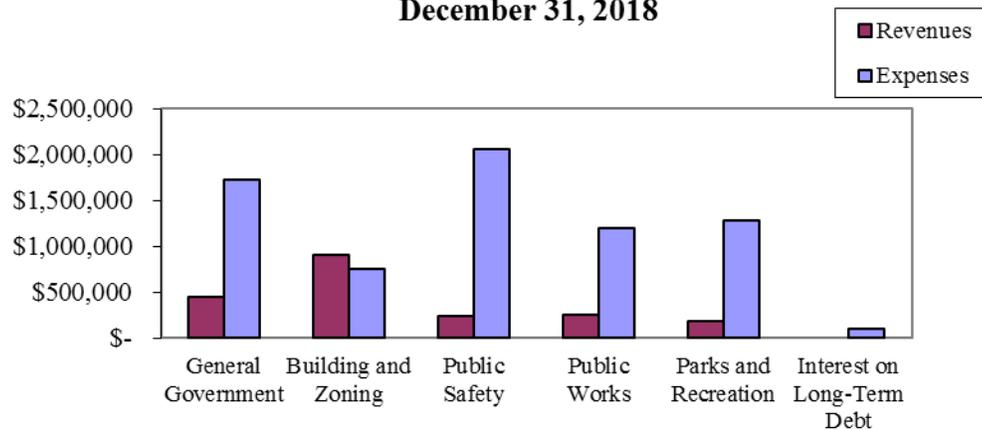
Management's Discussion and Analysis December 31, 2018

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, 2018**



Business-Type activities

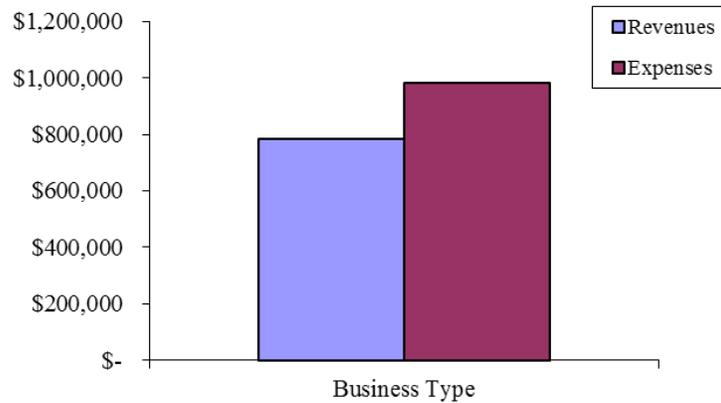
Business-Type activities posted total revenues of \$792,191, while the cost of all business-type activities totaled \$982,071. This results in a decrease in net position before transfers of \$189,880. The primary reason for this decrease is attributable to the depreciation expense, principal and interest payments and operations of the aquatic center facility and the sewer system. For the year ended December 31, 2017, revenues of \$876,099 were less than expenses of \$976,541, resulting in a decrease in net position before transfers of \$100,442.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

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

Expenses and Program Revenues - Business-Type Activities December 31, 2018



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 \$6,909,522, which is \$1,149,550 or 14.3 percent, lower than last year's total of \$8,059,072. Of the \$6,909,522 total, \$72,171, or 1.0 percent, of the fund balance constitutes nonspendable fund balance; \$3,779,036 or 54.7 percent of the fund balance is restricted for highways and streets, debt service, capital improvements, and special recreation; \$2,673,007, or 38.7 percent of the fund balance is assigned for cash reserves, capital improvements and the sister cities program; and \$385,308 or 5.6 percent is unassigned.

The General Fund reported an increase in fund balance for the year ended December 31, 2018 of \$513,180, an increase of 32.7 percent. As of December 31, 2018, the Village achieved its fund balance goal of an ending fund balance at least 35% of the following year's expenditure budget; \$1,434,650 of the ending fund balance in the General Fund is assigned for cash reserves.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

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 increase in fund balance in the current year of \$15,453. The primary reason for the increase in fund balance was a result of grant revenue related to the Schwerman Road paving project. Ending fund balance at December 31, 2018 was \$332,827.

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 \$293,614 due primarily to a \$100,000 transfer of excess fund balance to the Parks and Recreation Fund. This transfer was partially offset by positive revenue variances. License, permits and fees revenues were \$219,419 higher than budgeted. Expenditures were \$186,221 higher than budgeted due to increased inspections required by the additional permit revenue, additional economic development activities related to land use issues and a priority based budget insurance allocation which more accurately and transparently allocated insurance related costs to the appropriate funds and functions that incur these costs. Ending fund balance at December 31, 2018 was \$643,522.

The Parks and Recreation Fund is used to account for all activities related to the Village's parks and recreational activities (with the exception of the Aquatic Center activities, which are reported in a separate enterprise fund). These activities are recorded in four departments: Administration, Programs, Park Maintenance and Special Recreation (which accounts for the special recreation restricted tax levy and related expenditures.) The Parks and Recreation Fund reported a decrease in fund balance in the current year of \$174,841 due primarily to the ADA accessibility projects, including a planned new park and arboretum. Ending fund balance at December 31, 2018 was \$163,287.

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 \$1,171 due primarily to the transfer of the park donation revenue to the Aquatic Center Fund, as required by the bond covenants. Ending fund balance at December 31, 2018 was \$580.

The Capital Improvements Fund is used to account for expenditures for capital improvements which are funded by transfers from other funds. The Capital Improvements Fund reported a decrease in fund balance of \$519,220 due primarily to the emergency Darlington Road culvert repair. Ending fund balance at December 31, 2018 was \$599,571.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental Funds – Continued

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, 2018 was \$3,079,267.

Proprietary Funds

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

The Aquatics Fund accounts for the activities of the water park operations. This fund is comprised of four sub funds, which are used to segregate resources for operations and maintenance, capital improvements, and debt service. The decrease in net position in the Aquatics Fund during the current fiscal year was \$226,380. The primary reason for this decrease is attributable to depreciation expense of \$175,141 and interest expense of \$96,972. Unrestricted net position in the Aquatics Fund totaled (\$167,690) at December 31, 2018.

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 in the Sewer Fund during the current fiscal year was \$136,500. 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 \$1,388,820 at December 31, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues for the year totaled \$4,166,555, compared to budgeted revenues of \$4,013,174. There are several reasons for the positive variance: revenues were \$153,381 higher than budgeted. Significant positive revenue variances included licenses and fees (\$40,235 higher than budgeted), intergovernmental revenue (\$71,062 higher than budgeted), interest income (\$16,083 higher than budgeted.), and miscellaneous revenues (\$71,587 higher than budgeted). These positive revenue variances were offset by negative variances in taxes (\$45,586 lower than budgeted).

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued

The General Fund actual expenditures for the year were \$342,744 less than budgeted (\$3,704,375 actual compared to a final budget of \$4,047,119). Some significant differences between the actual expenditures and budgeted expenditures are highlighted below:

- The administration function reported actual expenditures of \$343,555 compared to budget of \$453,024, resulting in a positive variance of \$109,469. This positive variance was primarily due to a decision to defer the hiring of the vacant Management Analyst position and the \$25,000 contingency budget line item was not utilized.
- The legal function reported actual expenditures of \$111,827 compared to budget of \$231,250, resulting in a positive variance of \$119,423. This positive variance was primarily due to a delay in the timing of legal proceedings related to ongoing litigation.
- The risk management function reported actual expenditures of \$357,154 compared to budgeted expenditures of \$434,718 resulting in a positive variance of \$77,564. This positive variance was primarily premium savings experienced in general liability, workers compensation and unemployment premiums.
- The police function reported actual expenditures of \$1,894,357, compared to budgeted expenditures of \$1,868,519, resulting in a negative variance of \$25,838. The primary reason for the negative variance was the purchase of two police cars with restricted vehicle supervision and DUI fund court fines. The revenue from these restricted funds offset the cost of the purchase.
- The public works function reported actual expenditures of \$583,494 compared to budgeted expenditures of \$639,066 resulting in a positive variance of \$55,572. This positive variance was primarily due an unseasonably warm winter resulting in less personnel and materials expenditures for snow removal.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

Management's Discussion and Analysis December 31, 2018

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, 2018 was \$15,518,386 (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	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Land	\$ 6,557,081	\$ 6,557,081	\$ 417,459	\$ 417,459	\$ 6,974,540	\$ 6,974,540
Sanitary Sewer System	-	-	1,944,906	2,011,971	1,944,906	2,011,971
Buildings and Improvements	2,679,047	2,966,246	3,046,446	3,205,057	5,725,493	6,171,303
Equipment and Vehicles	798,724	790,855	74,723	83,781	873,447	874,636
Total	<u>\$ 10,034,852</u>	<u>\$ 10,314,182</u>	<u>\$ 5,483,534</u>	<u>\$ 5,718,268</u>	<u>\$ 15,518,386</u>	<u>\$ 16,032,450</u>

Capital additions were as follows:

Governmental Activities	
Equipment and Vehicles	<u>164,063</u>
Business-Type Activities	
Equipment and Vehicles	<u>\$ 7,471</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, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration

At year-end, the Village had total outstanding debt of \$4,850,000 as compared to \$5,700,000 the previous year. During 2018, the Village issued no new debt, and made the scheduled principal and interest payments on the outstanding revenue bonds and debt certificates. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental Activities		Business-type Activities		Total	
	Year Ended 12/31/2018	Year Ended 12/31/2017	Year Ended 12/31/2018	Year Ended 12/31/2017	Year Ended 12/31/2018	Year Ended 12/31/2017
Revenue Bonds	\$ -	\$ -	\$ 1,875,000	\$ 2,035,000	\$ 1,875,000	\$ 2,035,000
Debt Certificates	2,975,000	3,665,000	-	-	2,975,000	3,665,000
Total	\$ 2,975,000	\$ 3,665,000	\$ 1,875,000	\$ 2,035,000	\$ 4,850,000	\$ 5,700,000

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 \$39,423,066.

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, 2018

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, 2018 and December 31, 2019 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, 2018 and December 31, 2019.

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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 7,166,583	\$ 1,683,995	\$ 8,850,578
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	2,130,524	-	2,130,524
Utility tax	36,272	-	36,272
Accounts	23,124	57,415	80,539
Court fines	7,567	-	7,567
Interest	21,889	-	21,889
Prepaid expenses	72,171	-	72,171
Due from other governments			
Sales tax	31,467	-	31,467
Sales tax sharing	8,308	-	8,308
Use tax	67,533	-	67,533
Franchise tax	48,926	-	48,926
Telecommunication tax	42,589	-	42,589
Motor fuel tax	17,328	-	17,328
Other	82,539	-	82,539
Internal balances	26,376	(26,376)	-
Due from fiduciary fund	52,233	-	52,233
Capital assets not being depreciated	6,557,081	417,459	6,974,540
Capital assets (net of accumulated depreciation)	3,477,771	5,066,073	8,543,844
Total assets	19,870,281	7,198,566	27,068,847
DEFERRED OUTFLOWS OF RESOURCES			
Pension items - Police Pension Plan	1,108,172	-	1,108,172
Pension items - IMRF	350,083	23,873	373,956
Unamortized loss on refunding	-	28,175	28,175
Total deferred outflows of resources	1,458,255	52,048	1,510,303
Total assets and deferred outflows of resources	21,328,536	7,250,614	28,579,150
LIABILITIES			
Accounts payable	144,029	7,814	151,843
Wages payable	46,391	933	47,324
Unearned revenue - other	-	160	160
Deposits payable	590,103	-	590,103
Unearned revenue - grants	14,860	-	14,860
Long-term liabilities			
Due within one year	725,715	167,153	892,868
Due in more than one year	6,667,487	1,818,595	8,486,082
Total liabilities	8,188,585	1,994,655	10,183,240
DEFERRED INFLOWS OF RESOURCES			
Pension items - Police Pension Plan	538,141	-	538,141
Pension items - IMRF	262,984	17,932	280,916
Pension items - OPEB	15,318	2,558	17,876
Deferred revenue - property taxes	2,130,524	-	2,130,524
Total deferred inflows of resources	2,946,967	20,490	2,967,457
Total liabilities and deferred inflows of resources	11,135,552	2,015,145	13,150,697

(This statement is continued on the following page.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF NET POSITION (Continued)

December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 10,034,852	\$ 3,628,297	\$ 13,663,149
Restricted for			
Highways and streets	332,827	-	332,827
Debt service	104,847	257,354	362,201
Repairs and maintenance	-	128,688	128,688
Special recreation	366,362	-	366,362
Unrestricted	(645,904)	1,221,130	575,226
TOTAL NET POSITION	\$ 10,192,984	\$ 5,235,469	\$ 15,428,453

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 1,720,488	\$ 442,199	\$ -	\$ 4,120
Building and zoning	755,016	903,415	-	-
Public safety	2,062,104	192,614	-	52,828
Public works	1,202,938	-	213,158	43,110
Parks and recreation	1,283,701	178,213	-	-
Interest	99,420	-	-	-
Total governmental activities	7,123,667	1,716,441	213,158	100,058
Business-Type Activities				
Aquatics	677,370	348,639	-	-
Sewer	304,701	435,999	-	-
Total business-type activities	982,071	784,638	-	-
TOTAL PRIMARY GOVERNMENT	\$ 8,105,738	\$ 2,501,079	\$ 213,158	\$ 100,058

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
	\$ (1,274,169)	\$ -	\$ (1,274,169)
	148,399	-	148,399
	(1,816,662)	-	(1,816,662)
	(946,670)	-	(946,670)
	(1,105,488)	-	(1,105,488)
	(99,420)	-	(99,420)
	<u>(5,094,010)</u>	<u>-</u>	<u>(5,094,010)</u>
	-	(328,731)	(328,731)
	-	131,298	131,298
	<u>-</u>	<u>(197,433)</u>	<u>(197,433)</u>
	<u>(5,094,010)</u>	<u>(197,433)</u>	<u>(5,291,443)</u>
General Revenues			
Taxes			
Property	2,091,434	-	2,091,434
Road and bridge	17,066	-	17,066
Sales	192,156	-	192,156
Telecommunication and utility	549,171	-	549,171
Amusement	102	-	102
Intergovernmental			
Income	767,716	-	767,716
Use	238,969	-	238,969
Replacement	1,502	-	1,502
Investment income	140,977	6,909	147,886
Miscellaneous	273,048	644	273,692
Transfers in (out)	(100,000)	100,000	-
Total	<u>4,172,141</u>	<u>107,553</u>	<u>4,279,694</u>
CHANGE IN NET POSITION	<u>(921,869)</u>	<u>(89,880)</u>	<u>(1,011,749)</u>
NET POSITION, JANUARY 1	11,274,747	5,368,929	16,643,676
Change in accounting principle	<u>(159,894)</u>	<u>(43,580)</u>	<u>(203,474)</u>
NET POSITION, JANUARY 1, RESTATED	<u>11,114,853</u>	<u>5,325,349</u>	<u>16,440,202</u>
NET POSITION, DECEMBER 31	<u>\$ 10,192,984</u>	<u>\$ 5,235,469</u>	<u>\$ 15,428,453</u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2018

	General	Special Revenue			Capital Projects		Debt Service	Nonmajor Governmental Sister Cities	Total Governmental Funds
		Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation	Capital Improvements			
ASSETS									
Cash and investments	\$ 2,268,476	\$ 304,018	\$ 862,794	\$ 54,736	\$ 580	\$ 589,275	\$ 3,079,267	\$ 7,437	\$ 7,166,583
Receivables									
Property taxes	1,672,940	-	-	457,584	-	-	-	-	2,130,524
Utility taxes	36,272	-	-	-	-	-	-	-	36,272
Accounts	1,500	-	19,573	2,051	-	-	-	-	23,124
Court fines	7,567	-	-	-	-	-	-	-	7,567
Interest	21,889	-	-	-	-	-	-	-	21,889
Prepaid items	41,606	-	12,173	18,392	-	-	-	-	72,171
Due from other governments									
Municipal sales tax	31,467	-	-	-	-	-	-	-	31,467
Sales tax sharing	8,308	-	-	-	-	-	-	-	8,308
Illinois use tax	67,533	-	-	-	-	-	-	-	67,533
Franchise tax	48,926	-	-	-	-	-	-	-	48,926
Telecommunication tax	42,589	-	-	-	-	-	-	-	42,589
Motor fuel tax	-	17,328	-	-	-	-	-	-	17,328
Other	-	82,539	-	-	-	-	-	-	82,539
Due from other funds	78,711	-	-	100,000	-	41,363	-	-	220,074
TOTAL ASSETS	\$ 4,327,784	\$ 403,885	\$ 894,540	\$ 632,763	\$ 580	\$ 630,638	\$ 3,079,267	\$ 7,437	\$ 9,976,894

	Special Revenue				Capital Projects		Debt Service	Nonmajor Governmental Sister Cities	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	\$ 69,716	\$ 31,800	\$ 19,791	\$ 1,655	\$ -	\$ 21,067	\$ -	\$ -	\$ 144,029
Wages payable	37,437	2,015	4,694	2,245	-	-	-	-	46,391
Unearned revenue - grants	-	-	-	4,860	-	10,000	-	-	14,860
Deposits payable	460,540	-	126,463	3,100	-	-	-	-	590,103
Due to other funds	4,120	37,243	100,070	32	-	-	-	-	141,465
Total liabilities	571,813	71,058	251,018	11,892	-	31,067	-	-	936,848
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	1,672,940	-	-	457,584	-	-	-	-	2,130,524
Total deferred inflows of resources	1,672,940	-	-	457,584	-	-	-	-	2,130,524
Total liabilities and deferred inflows of resources	2,244,753	71,058	251,018	469,476	-	31,067	-	-	3,067,372
FUND BALANCES									
Nonspendable									
Prepaid items	41,606	-	12,173	18,392	-	-	-	-	72,171
Restricted									
Highways and streets	-	332,827	-	-	-	-	-	-	332,827
Debt service	-	-	-	-	580	-	3,079,267	-	3,079,847
Special recreation	-	-	-	366,362	-	-	-	-	366,362
Assigned									
Cash reserves	1,434,650	-	-	-	-	-	-	-	1,434,650
Capital improvements	-	-	631,349	-	-	599,571	-	-	1,230,920
Sister Cities	-	-	-	-	-	-	-	7,437	7,437
Unassigned (deficit)	606,775	-	-	(221,467)	-	-	-	-	385,308
Total fund balances	2,083,031	332,827	643,522	163,287	580	599,571	3,079,267	7,437	6,909,522
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
	\$ 4,327,784	\$ 403,885	\$ 894,540	\$ 632,763	\$ 580	\$ 630,638	\$ 3,079,267	\$ 7,437	\$ 9,976,894

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, 2018

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 6,909,522
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	10,034,852
Long-term liabilities (debt certificates) are not due and payable in the current period and, therefore, not reported in the governmental funds	(2,975,000)
The premium on debt issued is shown as a liability on the statement of net position	(34,167)
The net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position	(882,578)
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	350,083
Deferred inflows of resources	(262,984)
The net pension liability for the Police Pension Plan is shown as a liability on the statement of net position	(3,234,927)
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	1,108,172
Deferred inflows of resources	(538,141)
The OPEB liability on the statement of net position	(252,396)
Differences between expected and actual experiences, assumption changes, contributions after the measurement date and net difference between projected and actual earnings for the OPEB plan are recognized as deferred outflows and inflows of resources on the statement of net position	(15,318)
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds	(14,134)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 10,192,984</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, 2018

	Special Revenue			Capital Projects		Debt Service	Nonmajor Governmental Sister Cities	Total Governmental Funds	
	General	Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation				Capital Improvements
REVENUES									
Taxes	\$ 2,355,176	\$ -	\$ -	\$ 439,113	\$ -	\$ -	\$ -	\$ 2,794,289	
Licenses, permits and fees	618,635	-	996,050	181,688	-	-	-	1,796,373	
Intergovernmental	1,063,829	256,268	-	-	-	4,120	-	1,324,217	
Investment income	19,583	1,071	8,800	1,242	28	3,066	107,174	140,977	
Miscellaneous	109,332	-	64,317	300	59,801	11,372	-	245,942	
Total revenues	4,166,555	257,339	1,069,167	622,343	59,829	18,558	107,174	6,301,798	
EXPENDITURES									
Current									
General government	1,191,552	-	420,653	-	-	-	-	1,612,205	
Building and zoning	34,972	-	664,120	-	-	-	-	699,092	
Public safety	1,894,357	-	-	-	-	-	-	1,894,357	
Public works	583,494	241,886	-	-	-	-	-	825,380	
Parks and recreation	-	-	178,008	807,184	-	-	-	985,192	
Capital outlay	-	-	-	-	-	537,778	-	537,778	
Debt service									
Principal	-	-	-	-	-	-	690,000	690,000	
Interest and fiscal charges	-	-	-	-	-	-	107,344	107,344	
Total expenditures	3,704,375	241,886	1,262,781	807,184	-	537,778	797,344	7,351,348	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	462,180	15,453	(193,614)	(184,841)	59,829	(519,220)	(690,170)	833	(1,049,550)

	Special Revenue			Capital Projects		Debt Service	Nonmajor Governmental Sister Cities	Total Governmental Funds
	General	Motor Fuel Tax	Community Development	Parks and Recreation	Park Donation			
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ 90,000	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 190,000
Transfers (out)	(39,000)	-	(100,000)	(90,000)	(61,000)	-	-	(290,000)
Total other financing sources (uses)	51,000	-	(100,000)	10,000	(61,000)	-	-	(100,000)
NET CHANGE IN FUND BALANCES	513,180	15,453	(293,614)	(174,841)	(1,171)	(519,220)	833	(1,149,550)
FUND BALANCES, JANUARY 1	1,569,851	317,374	937,136	338,128	1,751	1,118,791	6,604	8,059,072
FUND BALANCES, DECEMBER 31	\$ 2,083,031	\$ 332,827	\$ 643,522	\$ 163,287	\$ 580	\$ 599,571	\$ 7,437	\$ 6,909,522

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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (1,149,550)
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	164,063
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	690,000
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	(443,393)
The amortization of premiums on long-term debt is reported as an expense on the statement of activities	7,924
The change in the OPEB liability and deferred inflows of resources is shown as an expense on the statement of activities	(6,784)
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	(45,806)
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	(139,233)
The change in compensated absences payable is shown as a increase in expense on the statement of activities	<u>910</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (921,869)</u></u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2018

	Aquatics	Sewer	Eliminations	Total Enterprise Funds
CURRENT ASSETS				
Cash and investments	\$ 345,489	\$ 1,338,506	\$ -	\$ 1,683,995
Accounts receivable	-	57,415	-	57,415
Due from other funds	-	40,021	(40,021)	-
Total current assets	345,489	1,435,942	(40,021)	1,741,410
NONCURRENT ASSETS				
Capital assets				
Capital assets not being depreciated	417,459	-	-	417,459
Capital assets being depreciated, net	3,121,166	1,944,907	-	5,066,073
Net capital assets	3,538,625	1,944,907	-	5,483,532
Total noncurrent assets	3,538,625	1,944,907	-	5,483,532
Total assets	3,884,114	3,380,849	(40,021)	7,224,942
DEFERRED OUTFLOWS OF RESOURCES				
Pension items - IMRF	16,151	7,722	-	23,873
Unamortized loss on refunding	28,175	-	-	28,175
Total deferred outflows of resources	44,326	7,722	-	52,048
Total assets and deferred outflows of resources	3,928,440	3,388,571	(40,021)	7,276,990
CURRENT LIABILITIES				
Accounts payable	927	6,887	-	7,814
Wages payable	601	332	-	933
Unearned revenue - other	160	-	-	160
Due to other funds	66,397	-	(40,021)	26,376
Other postemployment benefits	1,076	1,077	-	2,153
Revenue bonds payable	165,000	-	-	165,000
Total current liabilities	234,161	8,296	(40,021)	202,436
NONCURRENT LIABILITIES				
IMRF net pension liability	40,715	19,468	-	60,183
Other postemployment benefits	20,002	20,000	-	40,002
Net revenue bonds payable	1,718,410	-	-	1,718,410
Total noncurrent liabilities	1,779,127	39,468	-	1,818,595
Total liabilities	2,013,288	47,764	(40,021)	2,021,031
DEFERRED INFLOWS OF RESOURCES				
Pension items - OPEB	1,279	1,279	-	2,558
Pension items - IMRF	12,131	5,801	-	17,932
Total deferred inflows of resources	13,410	7,080	-	20,490
Total liabilities and deferred inflows of resources	2,026,698	54,844	(40,021)	2,041,521
NET POSITION				
Net investment in capital assets	1,683,390	1,944,907	-	3,628,297
Restricted for debt service	257,354	-	-	257,354
Restricted for repairs and maintenance	128,688	-	-	128,688
Unrestricted (deficit)	(167,690)	1,388,820	-	1,221,130
TOTAL NET POSITION	\$ 1,901,742	\$ 3,333,727	\$ -	\$ 5,235,469

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, 2018

	Aquatics	Sewer	Eliminations	Total Enterprise Funds
OPERATING REVENUES				
Charges for service	\$ 348,639	\$ 435,999	\$ -	\$ 784,638
Total operating revenues	348,639	435,999	-	784,638
OPERATING EXPENSES				
Personnel services	220,010	58,869	-	278,879
Contractual services	122,191	90,507	-	212,698
Commodities	53,648	-	-	53,648
Maintenance	9,408	31,174	-	40,582
Depreciation	175,141	67,066	-	242,207
Total operating expenses	580,398	247,616	-	828,014
OPERATING INCOME (LOSS)	(231,759)	188,383	-	(43,376)
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,707	5,202	-	6,909
Miscellaneous	644	-	-	644
Intergovernmental expense	-	(57,085)	-	(57,085)
Interest expense	(96,972)	-	-	(96,972)
Total non-operating revenues (expenses)	(94,621)	(51,883)	-	(146,504)
NET INCOME (LOSS) BEFORE TRANSFERS	(326,380)	136,500	-	(189,880)
TRANSFERS				
Transfers in	100,000	-	-	100,000
Total transfers	100,000	-	-	100,000
CHANGE IN NET POSITION	(226,380)	136,500	-	(89,880)
NET POSITION, JANUARY 1	2,149,912	3,219,017	-	5,368,929
Change in accounting principle	(21,790)	(21,790)	-	(43,580)
NET POSITION, JANUARY 1, RESTATED	2,128,122	3,197,227	-	5,325,349
NET POSITION, DECEMBER 31	\$ 1,901,742	\$ 3,333,727	\$ -	\$ 5,235,469

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Aquatics	Sewer	Total Enterprise Funds
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 349,446	\$ 391,228	\$ 740,674
Payments to suppliers	(185,446)	(182,682)	(368,128)
Payments to employees	(220,370)	(45,258)	(265,628)
Miscellaneous non-operating receipts (expense)	644	(57,085)	(56,441)
Net cash from operating activities	<u>(55,726)</u>	<u>106,203</u>	<u>50,477</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loan receipts (repayments)	4,773	(48,068)	(43,295)
Transfers in	100,000	-	100,000
Net cash from noncapital financing activities	<u>104,773</u>	<u>(48,068)</u>	<u>56,705</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchased	(7,471)	-	(7,471)
Principal paid on long-term debt	(160,000)	-	(160,000)
Interest paid	(95,285)	-	(95,285)
Net cash from capital and related financing activities	<u>(262,756)</u>	<u>-</u>	<u>(262,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,708	5,201	6,909
Net cash from investing activities	<u>1,708</u>	<u>5,201</u>	<u>6,909</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(212,001)	63,336	(148,665)
CASH AND CASH EQUIVALENTS, JANUARY 1	557,490	1,275,170	1,832,660
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 345,489</u>	<u>\$ 1,338,506</u>	<u>\$ 1,683,995</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (231,759)	\$ 188,383	\$ (43,376)
Miscellaneous non-operating receipts (expense)	644	(57,085)	(56,441)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation and amortization	175,141	67,066	242,207
Increase (decrease) in			
Pension related items	(984)	12,955	11,971
OPEB related items	567	566	1,133
Accounts receivable	807	(44,771)	(43,964)
Accounts payable	(199)	(61,001)	(61,200)
Wages payable	57	90	147
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (55,726)</u>	<u>\$ 106,203</u>	<u>\$ 50,477</u>
NONCASH TRANSACTIONS			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2018

	Pension Trust	Agency Funds
ASSETS		
Cash and short-term investments	\$ 12,107	\$ 213,226
Investments		
U.S. Treasury obligations	203,101	-
U.S. agency obligations	1,544,316	-
State and local obligations	288,219	-
Corporate bonds	214,187	-
Money market mutual funds	117,956	-
Equity mutual funds	1,602,883	-
Prepaid items	1,265	-
Accrued interest receivable	11,899	-
	<hr/>	<hr/>
Total assets	3,995,933	\$ 213,226
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	3,052	\$ -
Due to others	-	160,993
Due to other funds	-	52,233
	<hr/>	<hr/>
Total liabilities	3,052	\$ 213,226
	<hr/>	<hr/>
NET POSITION RESTRICTED FOR PENSIONS	<hr/>	
	\$ 3,992,881	
	<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, 2018

	Police Pension
	<u> </u>
ADDITIONS	
Contributions	
Employer	\$ 339,582
Employee	<u>115,071</u>
Total contributions	<u>454,653</u>
Investment income	
Net depreciation in fair value of investments	(272,783)
Interest	<u>157,051</u>
Total investment income	(115,732)
Less investment expense	<u>(9,894)</u>
Net investment income	<u>(125,626)</u>
Total additions	<u>329,027</u>
DEDUCTIONS	
Benefits and refunds	144,325
Administration	<u>22,790</u>
Total deductions	<u>167,115</u>
NET INCREASE	161,912
NET POSITION RESTRICTED FOR PENSIONS	
January 1	<u>3,830,969</u>
December 31	<u><u>\$ 3,992,881</u></u>

See accompanying notes to financial statements.

VILLAGE OF HAWTHORN WOODS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 GAAP, 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 Village has elected to report this fund as major.

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.

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 assets 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 assets 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 GAAP 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 GAAP. 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, The 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, 2018, 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	\$ 2,975,000	\$ 711,000	\$ 2,264,000	\$ -	\$ -
Negotiable certificates of deposit	720,236	720,236	-	-	-
TOTAL	\$ 3,695,236	\$ 1,431,236	\$ 2,264,000	\$ -	\$ -

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, 2018: 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 2018 property tax levy is recorded as a receivable, net of estimated uncollectibles. Based upon collection histories, the Village has provided at December 31, 2018, 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 2018 taxes are intended to finance the 2019 fiscal year and are not considered available for current operations and, therefore, are 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, 2018 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	6,061,244	-	-	6,061,244
Equipment and vehicles	2,867,520	164,063	136,386	2,895,197
Total capital assets being depreciated	8,928,764	164,063	136,386	8,956,441
Less accumulated depreciation for				
Buildings and improvements	3,094,998	287,199	-	3,382,197
Equipment and vehicles	2,076,665	156,194	136,386	2,096,473
Total accumulated depreciation	5,171,663	443,393	136,386	5,478,670
Total capital assets being depreciated, net	3,757,101	(279,330)	-	3,477,771
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 10,314,182	\$ (279,330)	\$ -	\$ 10,034,852
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	186,509	7,471	-	193,980
Total capital assets being depreciated	7,269,134	7,471	-	7,276,605
Less accumulated depreciation for				
Sanitary sewer system	335,329	67,066	-	402,395
Buildings and improvements	1,530,546	158,332	-	1,688,878
Equipment	102,448	16,809	-	119,257
Total accumulated depreciation	1,968,323	242,207	-	2,210,530
Total capital assets being depreciated, net	5,300,811	(234,736)	-	5,066,075
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 5,718,270	\$ (234,736)	\$ -	\$ 5,483,534

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	\$ 25,783
Building and zoning	61,172
Public safety	47,667
Public works	47,667
Parks and recreation	<u>261,104</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 443,393</u>

5. LONG-TERM DEBT

a. Special Service Area Bonds

As of December 31, 2018, 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, 2018 totaled \$5,458,000. These bonds are not an obligation of the Village and are secured by the levy of real estate taxes on certain property within the special service areas. The Village is in no way liable for repayment but is only acting as agent for the property owners in levying and collecting the assessments and forwarding the collections to bondholders.

b. Changes in Long-Term Liabilities - Governmental Activities

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

	Fund Debt Retired By	Balances January 1, Restated	Additions	Reductions	Balances December 31	Current Portion
GOVERNMENTAL ACTIVITIES						
Debt certificates	Debt Service	\$ 3,665,000	\$ -	\$ 690,000	\$ 2,975,000	\$ 710,000
Unamortized premium on debt certificates	Debt Service	42,091	-	7,924	34,167	-

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

5. LONG-TERM DEBT (Continued)

b. Changes in Long-Term Liabilities - Governmental Activities (Continued)

	Fund Debt Retired By	Balances January 1, Restated	Additions	Reductions	Balances December 31	Current Portion
GOVERNMENTAL ACTIVITIES (Continued)						
Compensated absences	General	\$ 15,044	\$ 230,299	\$ 231,209	\$ 14,134	\$ 2,827
Net pension liability - police pension	General	2,796,448	438,479	-	3,234,927	-
Net pension liability - IMRF	General	1,093,877	-	211,299	882,578	-
Other postemployment benefit liability	General	260,930	-	8,534	252,396	12,888
TOTAL GOVERNMENTAL ACTIVITIES		\$ 7,873,390	\$ 668,778	\$ 1,148,966	\$ 7,393,202	\$ 725,715

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	\$ 3,665,000	\$ -	\$ 690,000	\$ 2,975,000	\$ 710,000
TOTAL		\$ 3,665,000	\$ -	\$ 690,000	\$ 2,975,000	\$ 710,000

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

During the year ended December 31, 2018, 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	\$ 2,035,000	\$ -	\$ 160,000	\$ 1,875,000	\$ 165,000
Unamortized premium on bonds	Aquatics	9,128	-	718	8,410	-
Net pension liability - IMRF	Aquatics/Sewer	61,679	-	1,496	60,183	-
Other postemployment benefit liability	Aquatics/Sewer	43,580	-	1,425	42,155	2,153
TOTAL BUSINESS-TYPE ACTIVITIES		\$ 2,149,387	\$ -	\$ 163,639	\$ 1,985,748	\$ 167,153

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

5. LONG-TERM DEBT (Continued)

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
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	\$ 2,975,000	\$ 211,719	\$ 3,186,719

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.

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 \$580 at December 31, 2018. 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 \$128,688 at December 31, 2018. 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

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

5. LONG-TERM DEBT (Continued)

f. Revenue Bonds (Continued)

is to be deposited to this subfund. At December 31, 2018, this subfund had a balance of \$379. 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, 2018, this subfund (including the 2011 Reserve Subfund) had a balance of \$256,975 as required by the ordinance.

Debt service to maturity on these bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
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	\$ 1,875,000	\$ 515,336	\$ 2,390,336

6. INTERFUND ACTIVITY

Due from/to other funds at December 31, 2018 consist of the following:

	Due From	Due To
General	\$ 78,711	\$ 4,120
Motor Fuel Tax	-	37,243
Community Development	-	100,070
Park and Recreation	100,000	32
Capital Improvements	41,363	-
Aquatics Center	-	66,397
Sewer	40,021	-
SSA#4	-	52,233
TOTAL	\$ 260,095	\$ 260,095

The balances reflected in most significant due from/to other funds above are generally related to routine payroll and vendor payments involving charges to multiple village funds. In addition, amounts were due from SSA #4 to the General Fund for amounts received by the trustee at year end. The Village expects that the obligations will be liquidated within one year.

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

6. INTERFUND ACTIVITY (Continued)

Interfund transfers during the year ended December 31, 2018 consisted of the following:

	Transfer In	Transfer Out
General	\$ 90,000	\$ 39,000
Community Development	-	100,000
Parks and Recreation	100,000	90,000
Park Donation	-	61,000
Aquatics Center	100,000	-
TOTAL	\$ 290,000	\$ 290,000

Significant transfers between funds for the year ended December 31, 2018 consist of the following:

- \$90,000 transferred from the Parks and Recreation Fund to the General Fund as approved in the Village’s 2018 budget.
- \$61,000 transferred from the Park Donation Fund and \$39,000 transferred from the General 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.

7. RISK MANAGEMENT (Continued)

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, 2018.

8. CONTINGENT LIABILITIES

Litigation

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

Grants

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

9. DEFINED BENEFIT PENSION PLANS

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system and the Police Pension Plan which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all the plans are governed by ILCS and can only be amended by the Illinois General Assembly. The Police Pension Plan does not issue a separate report on the pension plan. IMRF, however, issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from their website at www.imrf.org.

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.

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)

Plan Administration (Continued)

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, 2017 (most recent available), IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>23</u>
 TOTAL	 <u><u>52</u></u>

Benefits Provided

All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

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

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)

Contributions

Participating members are required to contribute 4.50% 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, 2018 was 11.21% of covered payroll.

Actuarial Assumptions

The Village's net pension liability was measured as of December 31, 2017 (most recent available) 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, 2017
Actuarial cost method	Entry-age normal
Asset valuation method	Market value of assets
Assumptions	
Price inflation	2.50%
Salary increases	3.39% to 14.25%
Investment rate of return	7.50%
Cost of living adjustments	3.00%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). 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-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2018	\$ 3,701,638	\$ 2,546,082	\$ 1,155,556
Changes for the period			
Service cost	196,852	-	196,852
Interest	283,287	-	283,287
Difference between expected and actual experience	106,937	-	106,937
Changes in assumptions	(123,595)	-	(123,595)
Employer contributions	-	213,615	(213,615)
Employee contributions	-	82,868	(82,868)
Net investment income	-	411,980	(411,980)
Benefit payments and refunds	(45,817)	(45,817)	-
Other (net transfer)	-	(32,187)	32,187
Net changes	417,664	630,459	(212,795)
BALANCES AT DECEMBER 31, 2018	\$ 4,119,302	\$ 3,176,541	\$ 942,761

Changes in assumptions related to salary rates, inflation rates, and mortality were made since the prior measurement date.

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, 2018, the Village recognized pension expense of \$35,576.

At December 31, 2018, 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
Differences between expected and actual experience	\$ 148,824	\$ 76,458
Assumption changes	14,786	110,182
Net difference between projected and actual earnings on pension plan investments	-	94,276
Employer contributions after the measurement date	210,346	-
TOTAL	\$ 373,956	\$ 280,916

\$210,346 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, 2019. 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>	
2019	\$ 16,260
2020	(28,624)
2021	(61,121)
2022	(43,821)
TOTAL	\$ (117,306)

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 7.50% 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 1,583,518	\$ 942,761	\$ 414,916

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, 2018, the measurement date, the Police Pension Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	12
 TOTAL	 15

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 2.50% 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 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided (Continued)

of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the 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, 2018, the Village's contribution was 30.57% 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 The 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).

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)

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.

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	55.00%	1.50%
Large cap domestic equities	31.50%	6.70%
Small cap domestic equities	9.00%	8.60%
International equities	4.50%	6.50%

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.

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.

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 Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.16%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Fund's deposits may not be returned to it. The Fund's investment policy does not address custodial credit risk for deposits. At December 31, 2018, all of the Fund's bank balances were covered by FDIC insurance.

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 203,101	\$ -	\$ 203,101	\$ -	\$ -
U.S. agency obligations	1,544,316	124,258	544,866	875,192	-
State and local obligations	288,219	-	180,168	108,051	-
Corporate bonds	214,187	50,013	113,949	50,225	-
TOTAL	\$ 2,249,823	\$ 174,271	\$ 1,042,084	\$ 1,033,468	\$ -

The Fund has the following recurring fair value measurements as of December 31, 2018: 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 Standard & Poor's. The state and local obligations are rated AA to AA+ by Standard & Poor's. The corporate bonds are rated A to AAA by Standard & Poor's. 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, 2018	\$ 6,627,417	\$ 3,830,969	\$ 2,796,448
Changes for the period			
Service cost	268,467	-	268,467
Interest	426,091	-	426,091
Difference between expected and actual experience	50,158	-	50,158
Changes in assumptions	-	-	-
Employer contributions	-	339,582	(339,582)
Employee contributions	-	115,071	(115,071)
Net investment income	-	(125,626)	125,626
Benefit payments and refunds	(144,325)	(144,325)	-
Administrative expense	-	(22,790)	22,790
Net changes	600,391	161,912	438,479
BALANCES AT DECEMBER 31, 2018	\$ 7,227,808	\$ 3,992,881	\$ 3,234,927

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2018
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

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)

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, 2018, the Village recognized police pension expense of \$478,815. At December 31, 2018, 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
Difference between expected and actual experience	\$ 510,491	\$ 477,130
Changes in assumptions	313,207	61,011
Net difference between projected and actual earnings on pension plan investments	284,474	-
TOTAL	\$ 1,108,172	\$ 538,141

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>	
2019	\$ 134,893
2020	102,047
2021	93,577
2022	117,741
2023	40,946
Thereafter	80,827
TOTAL	\$ 570,031

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (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 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	\$ 4,597,970	\$ 3,234,927	\$ 2,157,123

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 and business type activities and enterprise funds.

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.

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At December 31, 2018, membership consisted of:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>33</u>
TOTAL	<u><u>33</u></u>

d. Total OPEB Liability

The Village's total OPEB liability of \$294,551 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

e. Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2018, as determined by an actuarial valuation as of January 1, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liability was rolled forward by the actuary using updating procedures to December 31, 2018, including updating the discount rate at December 31, 2018, as noted below.

Actuarial cost method	Entry-age
Actuarial value of assets	Market value
Salary Increases	2.75%
Discount rate	4.10%
Healthcare cost trend rates	6.60% to 7.20% Initial 5.00% Ultimate

The discount rate was based on The Bond Buyer 20-Bond GO Index, which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Actuarial Assumptions and Other Inputs (Continued)

IMRF Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 Improvement Rates.

Police Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 Improvement Rates.

Spousal Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study. These rates are improved generationally using MP-2016 Improvement Rates.

The actuarial assumptions used in the January 1, 2018 valuation assume 30% IMRF and police coverage election, with 50% electing spousal coverage.

f. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2018	<u>\$ 304,510</u>
Changes for the period	
Service cost	14,228
Interest	10,224
Assumption changes	(19,370)
Benefit payments	<u>(15,041)</u>
Net changes	<u>(9,959)</u>
BALANCES AT DECEMBER 31, 2018	<u>\$ 294,551</u>

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Village calculated using the discount rate of 4.10% as well as what the Village total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 328,063	\$ 294,551	\$ 265,704

The table below presents the total OPEB liability of the Village calculated using the healthcare rate of 6.60% to 7.20% as well as what the Village's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (5.60% to 6.20%) or 1 percentage point higher (7.60% to 8.20%) than the current rate:

	1% Decrease (5.60% to 6.20%)	Current Healthcare Rate (6.60% to 7.20%)	1% Increase (7.60% to 8.20%)
Total OPEB liability	\$ 260,514	\$ 294,551	\$ 334,491

h. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Village recognized OPEB expense of \$22,958. At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	17,876
TOTAL	\$ -	\$ 17,876

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

- h. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ (1,494)
2020	(1,494)
2021	(1,494)
2022	(1,494)
2023	(1,494)
Thereafter	<u>(10,406)</u>
 TOTAL	 <u>\$ (17,876)</u>

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, 2018, 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 agreement was entered into pursuant to the Village's authority under the Illinois Municipal Code, 65 ILCS 5/1-1. The abatement for the year ended December 31, 2018 amounted to \$8,496. There are no recapture provisions as eligibility for property tax abatement is established before disbursement.

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

12. CHANGE IN ACCOUNTING PRINCIPLE

The Village adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2018. The implementation of this guidance resulted in changes to the postemployment benefit related liability, revenue, expense, notes presented in the notes to financial statements and to the required supplementary information. The beginning net position reported in the government-wide financial statements has been restated to reflect the new guidance as follows:

GOVERNMENTAL ACTIVITIES

BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	<u>\$ 11,274,747</u>
Change in accounting principle	
To write-off the Village other post employment benefit obligation	101,036
To record the Village OPEB liability	<u>(260,930)</u>
Total change in accounting principle	<u>(159,894)</u>
TOTAL CHANGE IN ACCOUNTING PRINCIPLE	<u><u>\$ 11,114,853</u></u>

BUSINESS-TYPE ACTIVITIES

BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	<u>\$ 5,368,929</u>
Change in accounting principle	
To record the Village OPEB liability	<u>(43,580)</u>
Total change in accounting principle	<u>(43,580)</u>
TOTAL CHANGE IN ACCOUNTING PRINCIPLE	<u><u>\$ 5,325,349</u></u>

With the implementation of GASB Statement No. 75, the Village is required to retroactively record the OPEB liability and write-off any previously recorded net OPEB obligations.

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, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	\$ 2,400,762	\$ 2,400,762	\$ 2,355,176	\$ (45,586)
Licenses and fees	554,400	578,400	618,635	40,235
Intergovernmental	992,767	992,767	1,063,829	71,062
Investment income	3,500	3,500	19,583	16,083
Miscellaneous	19,990	37,745	109,332	71,587
Total revenues	3,971,419	4,013,174	4,166,555	153,381
EXPENDITURES				
Current				
General government	1,509,182	1,509,062	1,191,552	(317,510)
Building and zoning	30,472	30,472	34,972	4,500
Public safety	1,856,619	1,868,519	1,894,357	25,838
Public works	619,066	639,066	583,494	(55,572)
Total expenditures	4,015,339	4,047,119	3,704,375	(342,744)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,920)	(33,945)	462,180	496,125
OTHER FINANCING SOURCES (USES)				
Transfers in	165,000	165,000	90,000	(75,000)
Transfers (out)	(88,800)	(88,800)	(39,000)	49,800
Total other financing sources (uses)	76,200	76,200	51,000	(25,200)
NET CHANGE IN FUND BALANCE	\$ 32,280	\$ 42,255	513,180	\$ 470,925
FUND BALANCE, JANUARY 1			1,569,851	
FUND BALANCE, DECEMBER 31			\$ 2,083,031	

(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, 2018

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Intergovernmental			
Allotments earned	\$ 208,043	\$ 213,158	\$ 5,115
Grants	-	43,110	43,110
Investment income	1,000	1,071	71
	<hr/>	<hr/>	<hr/>
Total revenues	209,043	257,339	48,296
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Public works			
Personnel services	98,577	85,392	(13,185)
Contractual services	125,100	101,147	(23,953)
Commodities	56,000	55,347	(653)
	<hr/>	<hr/>	<hr/>
Total expenditures	279,677	241,886	(37,791)
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(70,634)	15,453	86,087
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ (70,634)</u>	15,453	<u>\$ 86,087</u>
		<hr/>	
FUND BALANCE, JANUARY 1		317,374	
		<hr/>	
FUND BALANCE, DECEMBER 31		<u>\$ 332,827</u>	

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Licenses, permits and fees	\$ 776,631	\$ 776,631	\$ 996,050	\$ 219,419
Investment income	7,500	7,500	8,800	1,300
Miscellaneous	52,525	52,525	64,317	11,792
Total revenues	836,656	836,656	1,069,167	232,511
EXPENDITURES				
General government				
Economic development				
Personnel services	257,092	257,092	275,201	18,109
Contractual services	145,255	145,255	145,452	197
Building and zoning				
Personnel services	314,734	314,734	311,649	(3,085)
Contractual services	183,757	183,757	350,654	166,897
Commodities	5,560	5,560	1,817	(3,743)
Parks and recreation				
Community events				
Personnel services	120,407	120,407	132,301	11,894
Contractual services	49,755	49,755	45,707	(4,048)
Total expenditures	1,076,560	1,076,560	1,262,781	186,221
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(239,904)	(239,904)	(193,614)	46,290
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(175,000)	(175,000)	(100,000)	75,000
Total other financing sources (uses)	(175,000)	(175,000)	(100,000)	75,000
NET CHANGE IN FUND BALANCE	\$ (414,904)	\$ (414,904)	(293,614)	\$ 121,290
FUND BALANCE, JANUARY 1			937,136	
FUND BALANCE, DECEMBER 31			\$ 643,522	

(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, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	\$ 437,042	\$ 437,042	\$ 439,113	\$ 2,071
Licenses, permits and fees	261,300	261,300	181,688	(79,612)
Investment income	500	500	1,242	742
Miscellaneous	-	-	300	300
Total revenues	698,842	698,842	622,343	(76,499)
EXPENDITURES				
Parks and recreation				
Administration				
Personnel services	79,810	79,810	91,283	11,473
Contractual services	68,735	69,735	71,744	2,009
Commodities	3,490	3,610	3,824	214
Recreation				
Commodities	53,555	53,555	28,562	(24,993)
Park maintenance				
Personnel services	198,520	198,520	200,870	2,350
Contractual services	3,450	3,450	2,037	(1,413)
Commodities	142,300	142,300	143,234	934
Capital outlay	5,000	5,000	2,301	(2,699)
Special recreation				
Contractual services	55,720	55,720	55,193	(527)
Capital outlay	150,000	150,000	208,136	58,136
Total expenditures	760,580	761,700	807,184	45,484
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,738)	(62,858)	(184,841)	(121,983)
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	\$ (51,738)	\$ (52,858)	(174,841)	\$ (121,983)
FUND BALANCE, JANUARY 1			338,128	
FUND BALANCE, DECEMBER 31			\$ 163,287	

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Four Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2015	2016	2017	2018
Actuarially determined contribution	\$ 193,007	\$ 201,184	\$ 213,615	\$ 209,115
Contributions in relation to the actuarially determined contribution	193,007	201,184	213,615	209,115
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,668,168	\$ 1,757,066	\$ 1,841,509	\$ 1,865,433
Contributions as a percentage of covered payroll	11.57%	11.45%	11.60%	11.21%

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 and the amortization period was 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded 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
POLICE PENSION FUND

Last Ten Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 151,347	\$ 200,879	\$ 211,652	\$ 219,588	\$ 217,155	\$ 234,261	\$ 280,551	\$ 280,223	\$ 308,036	\$ 339,582
Contributions in relation to the actuarially determined contributions	163,992	163,992	225,318	219,588	217,155	234,261	280,551	280,223	308,036	339,582
CONTRIBUTION DEFICIENCY (Excess)	\$ (12,645)	\$ 36,887	\$ (13,666)	\$ -	\$ -	\$ -				
Covered payroll	\$ 656,915	\$ 629,035	\$ 680,756	\$ 683,219	\$ 692,151	\$ 791,889	\$ 979,799	\$ 1,043,104	\$ 1,072,395	\$ 1,110,705
Contributions as a percentage of covered payroll	24.96%	26.07%	33.10%	32.14%	31.37%	29.58%	28.63%	26.86%	28.72%	30.57%

Notes to Required Supplementary Information

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 6.50% annually; inflation at 2.50% 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 CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Four Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
Service cost	\$ 156,550	\$ 164,627	\$ 204,579	\$ 196,852
Interest	186,930	220,700	262,493	283,287
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	14,769	201,645	(137,604)	106,937
Changes of assumptions	135,102	10,211	(27,283)	(123,595)
Benefit payments, including refunds of member contributions	(30,809)	(53,152)	(43,319)	(45,817)
Net change in total pension liability	462,542	544,031	258,866	417,664
Total pension liability - beginning	2,436,199	2,898,741	3,442,772	3,701,638
TOTAL PENSION LIABILITY - ENDING	\$ 2,898,741	\$ 3,442,772	\$ 3,701,638	\$ 4,119,302
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 152,332	\$ 197,892	\$ 201,184	\$ 213,615
Contributions - member	61,980	76,967	79,068	82,868
Net investment income	117,204	11,189	152,663	411,980
Benefit payments, including refunds of member contributions	(30,809)	(53,152)	(43,319)	(45,817)
Other (net transfer)	6,886	(207,005)	(6,617)	(32,187)
Net change in plan fiduciary net position	307,593	25,891	382,979	630,459
Plan net position - beginning	1,829,619	2,137,212	2,163,103	2,546,082
PLAN NET POSITION - ENDING	\$ 2,137,212	\$ 2,163,103	\$ 2,546,082	\$ 3,176,541
EMPLOYER'S NET PENSION LIABILITY	\$ 761,529	\$ 1,279,669	\$ 1,155,556	\$ 942,761
Plan fiduciary net position as a percentage of the total pension liability	73.73%	62.83%	68.78%	77.11%
Covered payroll	\$ 1,404,051	\$ 1,710,393	\$ 1,757,064	\$ 1,841,511
Employer's net pension liability as a percentage of covered payroll	54.24%	74.82%	65.77%	51.19%

Notes to Required Supplementary Information

Measurement Date December 31, 2017 - There was a change in assumption related to the salary rates, inflation rates and mortality since the prior measurement date.

Measurement Date December 31, 2016 - 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, 2016, is 7.50%. The discount rate used in the prior actuarial valuation, dated December 31, 2015, was 7.45%. Additionally, there was a change in assumptions from the prior year to reflect revised expectations with respect to mortality rates.

Measurement Date December 31, 2015 - 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 Five Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017	2018
TOTAL PENSION LIABILITY					
Service cost	\$ 269,069	\$ 248,158	\$ 269,141	\$ 252,082	\$ 268,467
Interest	256,565	313,030	363,963	384,926	426,091
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	557,497	576,324	(634,081)	121,908	50,158
Changes of assumptions	292,739	(96,799)	416,237	-	-
Benefit payments, including refunds of member contributions	(93,198)	(78,871)	(78,632)	(106,880)	(144,325)
Net change in total pension liability	1,282,672	961,842	336,628	652,036	600,391
Total pension liability - beginning	3,394,239	4,676,911	5,638,753	5,975,381	6,627,417
TOTAL PENSION LIABILITY - ENDING	\$ 4,676,911	\$ 5,638,753	\$ 5,975,381	\$ 6,627,417	\$ 7,227,808
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 234,261	\$ 280,551	\$ 280,223	\$ 308,036	\$ 339,582
Contributions - member	79,573	106,136	106,897	112,506	115,071
Net investment income	37,981	10,741	146,635	338,415	(125,626)
Benefit payments, including refunds of member contributions	(93,198)	(78,871)	(78,632)	(106,880)	(144,325)
Administrative expense	(13,259)	(16,308)	(13,404)	(23,101)	(22,790)
Net change in plan fiduciary net position	245,358	302,249	441,719	628,976	161,912
Plan net position - beginning	2,212,667	2,458,025	2,760,274	3,201,993	3,830,969
PLAN NET POSITION - ENDING	\$ 2,458,025	\$ 2,760,274	\$ 3,201,993	\$ 3,830,969	\$ 3,992,881
EMPLOYER'S NET PENSION LIABILITY	\$ 2,218,886	\$ 2,878,479	\$ 2,773,388	\$ 2,796,448	\$ 3,234,927
Plan fiduciary net position as a percentage of the total pension liability	52.56%	48.95%	53.59%	57.80%	55.24%
Covered payroll	\$ 791,889	\$ 979,799	\$ 1,043,104	\$ 1,072,395	\$ 1,110,705
Employer's net pension liability as a percentage of covered payroll	280.20%	293.78%	265.88%	260.77%	291.25%

Notes to Required Supplementary Information

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 4.00%; (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 Five Fiscal Years

FISCAL YEAR ENDED DECEMBER 31,	2014	2015	2016	2017	2018
Annual money-weighted rate of return, net of investment expense	3.50%	0.41%	5.06%	10.17%	(3.16%)

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information should 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
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Last Fiscal Year

MEASUREMENT DATE DECEMBER 31,	2018
TOTAL OPEB LIABILITY	
Service cost	\$ 14,228
Interest	10,224
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(19,370)
Benefit payments, including refunds of member contributions	<u>(15,041)</u>
Net change in total OPEB liability	(9,959)
Total OPEB liability - beginning	<u>304,510</u>
TOTAL OPEB LIABILITY - ENDING	<u><u>\$ 294,551</u></u>
Covered payroll	\$ 2,987,117
Employer's total OPEB liability as a percentage of covered payroll	9.86%

For the 2018 OPEB liability, the only change in assumption was the change in discount rate.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with GAAP. An annual budget was adopted for all funds except 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 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 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.

2. COMPLIANCE

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

Fund	Actual Expenditures	Final Budget	Excess
Community Development Fund	\$ 1,262,781	\$ 1,076,560	\$ 186,221
Parks and Recreation Fund	807,184	761,700	45,484
Capital Improvements Fund	537,778	412,608	125,170

**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, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
TAXES				
Property taxes	\$ 1,705,182	\$ 1,705,182	\$ 1,652,322	\$ (52,860)
Road and bridge tax	19,580	19,580	17,066	(2,514)
Sales tax	115,000	115,000	136,514	21,514
Utility tax	380,000	380,000	372,079	(7,921)
Telecommunication tax	180,000	180,000	177,093	(2,907)
Amusement tax	1,000	1,000	102	(898)
Total taxes	2,400,762	2,400,762	2,355,176	(45,586)
LICENSES AND FEES				
Licenses				
Liquor	7,900	7,900	7,900	-
Vehicle	164,000	164,000	169,558	5,558
Animal	12,500	12,500	13,363	863
Franchise	175,000	175,000	184,838	9,838
Business	9,500	9,500	9,863	363
Total licenses	368,900	368,900	385,522	16,622
Fees				
Court fines	100,000	100,000	120,853	20,853
Village code violations	48,000	48,000	41,514	(6,486)
Administrative impound fees	30,000	30,000	40,500	10,500
Police protection fees	6,500	30,500	29,256	(1,244)
Record requests	1,000	1,000	990	(10)
Total fees	185,500	209,500	233,113	23,613
Total licenses and fees	554,400	578,400	618,635	40,235
INTERGOVERNMENTAL				
Use tax	201,032	201,032	238,969	37,937
Income tax	734,735	734,735	767,716	32,981
Personal property replacement tax	2,000	2,000	1,502	(498)
Sales tax sharing	55,000	55,000	55,642	642
Total intergovernmental	992,767	992,767	1,063,829	71,062

(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, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
INVESTMENT INCOME				
Interest income	\$ 3,500	\$ 3,500	\$ 19,583	\$ 16,083
Total investment income	3,500	3,500	19,583	16,083
MISCELLANEOUS				
Public utilities	-	-	1,726	1,726
Yard stickers	11,000	11,000	8,304	(2,696)
SWALCO fee	3,245	3,245	6,149	2,904
ROW tree program	3,245	21,000	21,214	214
Miscellaneous	2,500	2,500	71,939	69,439
Total miscellaneous	19,990	37,745	109,332	71,587
TOTAL REVENUES	\$ 3,971,419	\$ 4,013,174	\$ 4,166,555	\$ 153,381

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT				
Administration				
Personnel services	\$ 336,477	\$ 336,477	\$ 245,621	\$ (90,856)
Contractual services	108,857	108,857	92,493	(16,364)
Commodities	7,810	7,690	5,441	(2,249)
Total administration	453,144	453,024	343,555	(109,469)
Legal				
Contractual services	231,250	231,250	111,827	(119,423)
Elected officials				
Personnel services	-	-	-	-
Contractual services	2,850	2,850	1,087	(1,763)
Total elected officials	2,850	2,850	1,087	(1,763)
Village clerk				
Personnel services	33,332	33,332	32,680	(652)
Contractual services	5,345	5,345	9,735	4,390
Total village clerk	38,677	38,677	42,415	3,738
Risk management				
Personnel services	13,468	13,468	13,168	(300)
Contractual services	416,250	416,250	343,232	(73,018)
Capital outlay	5,000	5,000	754	(4,246)
Total risk management	434,718	434,718	357,154	(77,564)
Police commission				
Contractual services	5,375	5,375	1,131	(4,244)
Commodities	100	100	-	(100)
Total police commission	5,475	5,475	1,131	(4,344)
Human resources				
Personnel services	62,957	62,957	60,916	(2,041)
Contractual services	19,210	19,210	4,663	(14,547)
Total human resources	82,167	82,167	65,579	(16,588)
Technology				
Contractual services	100,475	100,475	114,273	13,798
Total technology	100,475	100,475	114,273	13,798

(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, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT (Continued)				
Finance				
Personnel services	\$ 128,292	\$ 128,292	\$ 121,651	\$ (6,641)
Contractual services	31,974	31,974	32,791	817
Commodities	160	160	89	(71)
Total finance	160,426	160,426	154,531	(5,895)
Total general government	1,509,182	1,509,062	1,191,552	(317,510)
Engineering				
Personnel services	14,472	14,472	14,585	113
Contractual services	16,000	16,000	20,387	4,387
Total engineering	30,472	30,472	34,972	4,500
Total building and zoning	30,472	30,472	34,972	4,500
PUBLIC SAFETY				
Police administration/operations				
Personnel services	1,619,425	1,631,325	1,629,041	(2,284)
Contractual services	177,594	177,594	156,429	(21,165)
Commodities	51,600	51,600	50,715	(885)
Capital outlay	8,000	8,000	58,172	50,172
Total police administration/operations	1,856,619	1,868,519	1,894,357	25,838
Total public safety	1,856,619	1,868,519	1,894,357	25,838
PUBLIC WORKS				
Administration				
Personnel services	410,206	410,206	413,998	3,792
Contractual services	62,370	62,370	44,747	(17,623)
Commodities	95,500	115,500	96,192	(19,308)
Total administration	568,076	588,076	554,937	(33,139)
Building and grounds				
Contractual services	25,890	25,890	13,718	(12,172)
Commodities	25,100	25,100	14,839	(10,261)
Total buildings and grounds	50,990	50,990	28,557	(22,433)
Total public works	619,066	639,066	583,494	(55,572)
TOTAL EXPENDITURES	\$ 4,015,339	\$ 4,047,119	\$ 3,704,375	\$ (342,744)

(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, 2018

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Donations	\$ 30,000	\$ 59,801	\$ 29,801
Investment income	100	28	(72)
	<hr/>	<hr/>	<hr/>
Total revenues	30,100	59,829	29,729
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
None	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,100	59,829	29,729
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(20,385)	(61,000)	(40,615)
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ 9,715</u>	<u>(1,171)</u>	<u>\$ (10,886)</u>
FUND BALANCE, JANUARY 1		<u>1,751</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 580</u>	

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

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

For the Year Ended December 31, 2018

	Original Budget	Original and Final Budget	Actual	Variance Over (Under)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 4,120	\$ 4,120
Investment income	1,000	1,000	3,066	2,066
Miscellaneous	-	-	11,372	11,372
Total revenues	1,000	1,000	18,558	17,558
EXPENDITURES				
Capital outlay	412,608	412,608	537,778	125,170
Total expenditures	412,608	412,608	537,778	125,170
NET CHANGE IN FUND BALANCE	\$ (411,608)	\$ (411,608)	(519,220)	\$ 107,612
FUND BALANCE, JANUARY 1			1,118,791	
FUND BALANCE, DECEMBER 31			\$ 599,571	

(See independent auditor's report.)

MAJOR ENTERPRISE FUND

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF NET POSITION
AQUATIC CENTER ACCOUNTS

December 31, 2018

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Total
CURRENT ASSETS					
Cash and investments	\$ (40,553)	\$ 128,688	\$ 379	\$ 256,975	\$ 345,489
Total current assets	(40,553)	128,688	379	256,975	345,489
NONCURRENT ASSETS					
Capital assets					
Capital assets not being depreciated	417,459	-	-	-	417,459
Capital assets being depreciated, net	3,121,166	-	-	-	3,121,166
Net capital assets	3,538,625	-	-	-	3,538,625
Total assets	3,498,072	128,688	379	256,975	3,884,114
DEFERRED OUTFLOWS OF RESOURCES					
Pension item - IMRF	16,151	-	-	-	16,151
Unamortized loss on refunding	28,175	-	-	-	28,175
Total deferred outflows of resources	44,326	-	-	-	44,326
Total assets and deferred outflows of resources	3,542,398	128,688	379	256,975	3,928,440
CURRENT LIABILITIES					
Accounts payable	927	-	-	-	927
Wages payable	601	-	-	-	601
Unearned revenue - other	160	-	-	-	160
Due to other funds	66,397	-	-	-	66,397
Other postemployment benefits	1,076	-	-	-	1,076
Revenue bonds payable	165,000	-	-	-	165,000
Total current liabilities	234,161	-	-	-	234,161
NONCURRENT LIABILITIES					
IMRF net pension liability	40,715	-	-	-	40,715
Other postemployment benefits	20,002	-	-	-	20,002
Net revenue bonds payable	1,718,410	-	-	-	1,718,410
Total noncurrent liabilities	1,779,127	-	-	-	1,779,127
Total liabilities	2,013,288	-	-	-	2,013,288
DEFERRED INFLOWS OF RESOURCES					
Pension items - OPEB	1,279	-	-	-	1,279
Pension item - IMRF	12,131	-	-	-	12,131
Total deferred inflows of resources	13,410	-	-	-	13,410
Total liabilities and deferred inflows of resources	2,026,698	-	-	-	2,026,698
NET POSITION					
Net investment in capital assets	1,683,390	-	-	-	1,683,390
Restricted					
Debt service	-	-	379	256,975	257,354
Repairs and maintenance	-	128,688	-	-	128,688
Unrestricted (deficit)	(167,690)	-	-	-	(167,690)
TOTAL NET POSITION	\$ 1,515,700	\$ 128,688	\$ 379	\$ 256,975	\$ 1,901,742

(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, 2018

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
OPERATING REVENUES						
Charges for service	\$ 348,639	\$ -	\$ -	\$ -	\$ -	\$ 348,639
Total operating revenues	348,639	-	-	-	-	348,639
OPERATING EXPENSES						
Personnel services	220,010	-	-	-	-	220,010
Contractual services	121,388	-	803	-	-	122,191
Commodities	53,648	-	-	-	-	53,648
Maintenance	-	9,408	-	-	-	9,408
Depreciation	175,141	-	-	-	-	175,141
Total operating expenses	570,187	9,408	803	-	-	580,398
OPERATING INCOME (LOSS)	(221,548)	(9,408)	(803)	-	-	(231,759)
NON-OPERATING REVENUES (EXPENSES)						
Investment income	32	393	406	876	-	1,707
Miscellaneous	644	-	-	-	-	644
Interest expense	(1,687)	-	(95,285)	-	-	(96,972)
Total non-operating revenues (expenses)	(1,011)	393	(94,879)	876	-	(94,621)
NET INCOME (LOSS) BEFORE TRANSFERS	(222,559)	(9,015)	(95,682)	876	-	(326,380)
TRANSFERS						
Transfers in	167,471	-	100,000	-	(167,471)	100,000
Transfers (out)	-	(7,471)	(160,000)	-	167,471	-
Total transfers	167,471	(7,471)	(60,000)	-	-	100,000
CHANGE IN NET POSITION	(55,088)	(16,486)	(155,682)	876	-	(226,380)
NET POSITION, JANUARY 1	1,592,578	145,174	156,061	256,099	-	2,149,912
Change in accounting principle	(21,790)	-	-	-	-	(21,790)
NET POSITION, JANUARY 1, RESTATED	1,570,788	145,174	156,061	256,099	-	2,128,122
NET POSITION, DECEMBER 31	\$ 1,515,700	\$ 128,688	\$ 379	\$ 256,975	\$ -	\$ 1,901,742

(See independent auditor's report.)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

COMBINING SCHEDULE OF CASH FLOWS
AQUATIC CENTER ACCOUNTS

For the Year Ended December 31, 2018

	Operating	Depreciation	Bond and Interest	2011 Bond Reserve	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 349,446	\$ -	\$ -	\$ -	\$ -	\$ 349,446
Payments to suppliers	(175,235)	(9,408)	(803)	-	-	(185,446)
Payments to employees	(220,370)	-	-	-	-	(220,370)
Miscellaneous non-operating receipts	644	-	-	-	-	644
Net cash from operating activities	(45,515)	(9,408)	(803)	-	-	(55,726)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund loan receipts (repayments)	4,773	-	-	-	-	4,773
Transfers in	167,471	-	100,000	-	(167,471)	100,000
Transfers (out)	-	(7,471)	(160,000)	-	167,471	-
Net cash from noncapital financing activities	172,244	(7,471)	(60,000)	-	-	104,773
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(7,471)	-	-	-	-	(7,471)
Principal paid on long-term debt	(160,000)	-	-	-	-	(160,000)
Interest paid	-	-	(95,285)	-	-	(95,285)
Net cash from capital and related financing activities	(167,471)	-	(95,285)	-	-	(262,756)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	33	393	406	876	-	1,708
Net cash from investing activities	33	393	406	876	-	1,708
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,709)	(16,486)	(155,682)	876	-	(212,001)
CASH AND CASH EQUIVALENTS, JANUARY 1	156	145,174	156,061	256,099	-	557,490
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ (40,553)	\$ 128,688	\$ 379	\$ 256,975	\$ -	\$ 345,489
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (221,548)	\$ (9,408)	\$ (803)	\$ -	\$ -	\$ (231,759)
Miscellaneous non-operating receipts	644	-	-	-	-	644
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation and amortization	175,141	-	-	-	-	175,141
Increase (decrease) in						
Pension related items	(984)	-	-	-	-	(984)
OPEB related items	567	-	-	-	-	567
Accounts receivable	807	-	-	-	-	807
Accounts payable	(199)	-	-	-	-	(199)
Wages payable	57	-	-	-	-	57
NET CASH FROM OPERATING ACTIVITIES	\$ (45,515)	\$ (9,408)	\$ (803)	\$ -	\$ -	\$ (55,726)

(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.

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, 2018

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Investment income	\$ 5	\$ 13	\$ 8
Miscellaneous	2,000	820	(1,180)
	<hr/>	<hr/>	<hr/>
Total revenues	2,005	833	(1,172)
EXPENDITURES			
General government			
Dues	305	-	(305)
Miscellaneous	200	-	(200)
	<hr/>	<hr/>	<hr/>
Total expenditures	505	-	(505)
NET CHANGE IN FUND BALANCE	<u>\$ 1,500</u>	833	<u>\$ (667)</u>
FUND BALANCE, JANUARY 1		<u>6,604</u>	
FUND BALANCE, DECEMBER 31		<u><u>\$ 7,437</u></u>	

(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, 2018

	Original and Final Budget	Actual	Variance Over (Under)
ADDITIONS			
Contributions			
Employer	\$ 339,582	\$ 339,582	\$ -
Employee	110,700	115,071	4,371
	450,282	454,653	4,371
Investment income			
Net appreciation (depreciation) in fair value of investments	-	(272,783)	(272,783)
Interest	30,000	157,051	127,051
	30,000	(115,732)	(145,732)
Less investment expense	-	(9,894)	(9,894)
	30,000	(125,626)	(155,626)
Total additions	480,282	329,027	(151,255)
DEDUCTIONS			
Benefits and refunds	144,325	144,325	-
Administration	33,155	22,790	(10,365)
	177,480	167,115	(10,365)
NET INCREASE	\$ 302,802	161,912	\$ (140,890)
NET POSITION RESTRICTED FOR PENSIONS			
January 1		3,830,969	
December 31		\$ 3,992,881	

(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, 2018

ALL FUNDS

	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 258,615	\$ 942,022	\$ 987,411	\$ 213,226
TOTAL ASSETS	\$ 258,615	\$ 942,022	\$ 987,411	\$ 213,226
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to others	206,663	805,384	916,748	160,993
Due to other funds	-	-	119,879	52,233
TOTAL LIABILITIES	\$ 206,663	\$ 805,384	\$ 1,036,627	\$ 213,226

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

	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 10,022	\$ 268,945	\$ 265,623	\$ 13,344
TOTAL ASSETS	\$ 10,022	\$ 268,945	\$ 265,623	\$ 13,344
LIABILITIES				
Due to others	\$ 10,022	\$ 268,945	\$ 265,623	\$ 13,344
TOTAL LIABILITIES	\$ 10,022	\$ 268,945	\$ 265,623	\$ 13,344

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

	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 12,585	\$ 267,716	\$ 265,623	\$ 14,678
TOTAL ASSETS	\$ 12,585	\$ 267,716	\$ 265,623	\$ 14,678
LIABILITIES				
Due to others	\$ 12,585	\$ 267,716	\$ 265,623	\$ 14,678
TOTAL LIABILITIES	\$ 12,585	\$ 267,716	\$ 265,623	\$ 14,678

(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, 2018

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

	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 11,944	\$ 268,723	\$ 265,623	\$ 15,044
TOTAL ASSETS	\$ 11,944	\$ 268,723	\$ 265,623	\$ 15,044
LIABILITIES				
Due to others	\$ 11,944	\$ 268,723	\$ 265,623	\$ 15,044
TOTAL LIABILITIES	\$ 11,944	\$ 268,723	\$ 265,623	\$ 15,044

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

	Balances January 1	Additions	Deductions	Balances December 31
ASSETS				
Cash and investments	\$ 224,064	\$ 136,638	\$ 190,542	\$ 170,160
TOTAL ASSETS	\$ 224,064	\$ 136,638	\$ 190,542	\$ 170,160
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to others	51,952	136,638	70,663	117,927
Due to other funds	172,112	-	119,879	52,233
TOTAL LIABILITIES	\$ 224,064	\$ 136,638	\$ 190,542	\$ 170,160

(See independent auditor's report.)

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF HAWTHORN WOODS, ILLINOIS

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
CONSOLIDATED YEAR-END FINANCIAL REPORT**

For the Year Ended December 31, 2018

CSFA Number	Program Name	State	Federal	Other	Total
494-00-0967	High-Growth Cities Program	\$ 10,286	\$ -	\$ -	\$ 10,286
494-00-1488	Motor Fuel Tax Program	134,990	-	-	134,990
494-42-0495	Local Surface Transportation Program	96,610	-	-	96,610
	Other Grant Programs and Activities	-	-	4,120	4,120
	All Other Costs Not Allocated	-	-	8,087,413	8,087,413
	TOTALS	<u>\$ 241,886</u>	<u>\$ -</u>	<u>\$ 8,091,533</u>	<u>\$ 8,333,419</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.	80-89
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	90-94
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.	95-99
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.	100-101
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.	102-104

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

VILLAGE OF HAWTHORN WOODS, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 12,100,792	\$ 14,011,182	\$ 13,708,354	\$ 13,503,716
Restricted	2,645,314	601,458	947,427	1,082,734
Unrestricted	399,477	552,494	1,458,953	2,074,808
TOTAL GOVERNMENTAL ACTIVITIES	\$ 15,145,583	\$ 15,165,134	\$ 16,114,734	\$ 16,661,258
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 2,080,219	\$ 2,219,059	\$ 1,776,874	\$ 1,746,181
Restricted	584,414	289,252	391,676	256,819
Unrestricted	85,215	44,699	309,489	230,834
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 2,749,848	\$ 2,553,010	\$ 2,478,039	\$ 2,233,834
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 14,181,011	\$ 16,230,241	\$ 15,485,228	\$ 15,249,897
Restricted	3,229,728	890,710	1,339,103	1,339,553
Unrestricted	484,692	597,193	1,768,442	2,305,642
TOTAL PRIMARY GOVERNMENT	\$ 17,895,431	\$ 17,718,144	\$ 18,592,773	\$ 18,895,092

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2017	2018
\$	13,339,396	\$ 13,237,343	\$ 10,667,939	\$ 10,507,396	\$ 10,314,182	\$ 10,034,852
	1,190,127	1,463,134	1,336,030	974,040	934,097	804,036
	2,516,357	3,182,950	823,797	669,550	26,468	(645,904)
\$	17,045,880	\$ 17,883,427	\$ 12,827,766	\$ 12,150,986	\$ 11,274,747	\$ 10,192,984
\$	1,792,569	\$ 1,755,960	\$ 3,872,338	\$ 3,785,525	\$ 3,704,720	\$ 3,628,297
	261,253	305,176	319,822	786,825	557,334	386,042
	162,010	145,230	634,399	852,021	1,106,875	1,221,130
\$	2,215,832	\$ 2,206,366	\$ 4,826,559	\$ 5,424,371	\$ 5,368,929	\$ 5,235,469
\$	15,131,965	\$ 14,993,303	\$ 14,540,277	\$ 14,292,921	\$ 14,018,902	\$ 13,663,149
	1,451,380	1,768,310	1,655,852	1,760,865	1,491,431	1,190,078
	2,678,367	3,328,180	1,458,196	1,521,571	1,133,343	575,226
\$	19,261,712	\$ 20,089,793	\$ 17,654,325	\$ 17,575,357	\$ 16,643,676	\$ 15,428,453

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
EXPENSES				
Governmental Activities				
General government	\$ 783,579	\$ 1,320,911	\$ 1,435,196	\$ 1,202,576
Building and zoning	268,409	306,260	312,618	370,625
Public safety	1,338,932	1,284,492	1,302,247	1,341,417
Public works	3,485,091	663,329	1,107,541	1,009,570
Parks and recreation	375,854	408,582	520,390	547,137
Interest	5,919	5,157	4,318	3,435
Total governmental activities expenses	6,257,784	3,988,731	4,682,310	4,474,760
Business-Type Activities				
Aquatics	571,328	583,088	560,021	573,378
Sewer	-	-	-	-
Total business-type activities expenses	571,328	583,088	560,021	573,378
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 6,829,112	\$ 4,571,819	\$ 5,242,331	\$ 5,048,138
PROGRAM REVENUES				
Governmental Activities				
Charges for services				
General government	\$ 320,502	\$ 375,145	\$ 416,333	\$ 417,211
Building and zoning	265,401	244,825	403,122	281,282
Public safety	174,493	137,416	153,834	150,566
Public works	-	-	446,200	20,000
Parks and recreation	54,206	49,717	55,793	73,417
Operating grants and contributions	204,609	235,912	318,485	239,527
Capital grants and contributions	44,545	127,814	217,542	428,619
Total governmental activities program revenues	1,063,756	1,170,829	2,011,309	1,610,622
Business-Type Activities				
Charges for services				
Aquatics	309,440	279,547	232,193	272,583
Sewer	-	-	-	-
Capital grants and contributions	-	-	-	5,374
Total business-type activities program revenues	309,440	279,547	232,193	277,957
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 1,373,196	\$ 1,450,376	\$ 2,243,502	\$ 1,888,579
NET (EXPENSES) REVENUES				
Governmental activities	\$ (5,194,028)	\$ (2,817,902)	\$ (2,671,001)	\$ (2,864,138)
Business-type activities	(261,888)	(303,541)	(327,828)	(295,421)
TOTAL PRIMARY GOVERNMENT NET (EXPENSES) REVENUES	\$ (5,455,916)	\$ (3,121,443)	\$ (2,998,829)	\$ (3,159,559)

	2013	2014	2015	2016	2017	2018
\$	1,547,590	\$ 1,433,958	\$ 1,808,015	\$ 2,027,037	\$ 2,089,637	\$ 1,720,488
	511,300	865,096	761,186	1,022,469	746,990	755,016
	1,287,164	1,405,975	2,386,651	1,914,277	1,894,294	2,062,104
	846,084	1,052,568	1,050,881	1,241,242	979,151	1,202,938
	689,946	807,156	1,031,292	1,025,804	1,121,580	1,283,701
	102,925	183,730	148,062	134,997	119,899	99,420
	4,985,009	5,748,483	7,186,087	7,365,826	6,951,551	7,123,667
	610,695	587,821	640,741	660,247	696,825	677,370
	-	-	115,912	157,577	279,716	304,701
	610,695	587,821	756,653	817,824	976,541	982,071
\$	5,595,704	\$ 6,336,304	\$ 7,942,740	\$ 8,183,650	\$ 7,928,092	\$ 8,105,738
\$	395,253	\$ 391,605	\$ 398,519	\$ 401,282	\$ 416,408	\$ 442,199
	528,395	904,290	1,199,716	1,200,388	905,187	903,415
	177,440	147,819	153,428	143,872	173,984	192,614
	44,000	69,012	-	-	-	-
	125,560	60,328	208,708	193,084	179,774	178,213
	265,617	340,582	201,303	208,033	207,320	213,158
	344,094	463,240	40,983	107,599	196,039	100,058
	1,880,359	2,376,876	2,202,657	2,254,258	2,078,712	2,029,657
	290,121	278,611	312,671	423,518	329,191	348,639
	-	-	29,567	44,441	59,213	435,999
	-	-	-	-	-	-
	290,121	278,611	342,238	467,959	388,404	784,638
\$	2,170,480	\$ 2,655,487	\$ 2,544,895	\$ 2,722,217	\$ 2,467,116	\$ 2,814,295
\$	(3,104,650)	\$ (3,371,607)	\$ (4,983,430)	\$ (5,111,568)	\$ (4,872,839)	\$ (5,094,010)
	(320,574)	(309,210)	(414,415)	(349,865)	(588,137)	(197,433)
\$	(3,425,224)	\$ (3,680,817)	\$ (5,397,845)	\$ (5,461,433)	\$ (5,460,976)	\$ (5,291,443)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities				
Taxes				
Property	\$ 1,644,331	\$ 1,655,146	\$ 1,845,400	\$ 1,839,594
Road and bridge	15,573	17,947	17,251	22,321
Sales	112,426	98,707	113,385	116,166
Amusement	-	2,520	-	2,801
Telecommunications and utility	49,460	362,993	653,258	603,957
Intergovernmental				
Use	87,123	100,952	111,736	120,732
Income	611,462	592,076	596,510	673,328
Replacement	1,621	1,713	1,460	1,546
Investment income	98,360	47,888	18,984	13,632
Miscellaneous	60,429	147,855	508,400	136,190
Transfers in (out)	(191,620)	(96,463)	(245,783)	(119,605)
Total governmental activities	2,489,165	2,931,334	3,620,601	3,410,662
Business-Type Activities				
Investment income	11,351	6,277	5,875	2,662
Connection fees	-	-	-	-
Miscellaneous	5,775	7,931	1,199	2,777
Transfers in	191,620	96,463	245,783	119,605
Total business-type activities	208,746	110,671	252,857	125,044
TOTAL PRIMARY GOVERNMENT	\$ 2,697,911	\$ 3,042,005	\$ 3,873,458	\$ 3,535,706
CHANGE IN NET POSITION				
Governmental activities	\$ (2,704,863)	\$ 113,432	\$ 949,600	\$ 546,524
Business-type activities	(53,142)	(192,870)	(74,971)	(170,377)
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ (2,758,005)	\$ (79,438)	\$ 874,629	\$ 376,147

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2017	2018
\$	1,852,159	\$ 1,886,580	\$ 1,880,861	\$ 1,926,474	\$ 2,002,924	\$ 2,091,434
	17,196	18,420	17,361	17,532	16,923	17,066
	127,735	179,487	177,840	182,942	188,927	192,156
	1,312	2,566	6,595	2,217	1,972	102
	607,417	600,113	558,460	539,486	529,351	549,171
	130,782	149,254	170,628	182,558	201,471	238,969
	730,133	733,685	815,367	745,947	703,840	767,716
	1,725	1,761	1,885	1,662	1,766	1,502
	8,465	201,303	159,208	156,056	156,886	140,977
	272,197	535,535	835,773	815,746	237,540	273,048
	(259,849)	(298,256)	(2,778,533)	(560,000)	(45,000)	(100,000)
	3,489,272	4,010,448	1,845,445	4,010,620	3,996,600	4,172,141
	964	887	1,696	2,550	5,548	6,909
	-	-	276,000	368,287	481,975	-
	41,759	601	156	378	172	644
	259,849	298,256	2,778,533	560,000	45,000	100,000
	302,572	299,744	3,056,385	931,215	532,695	107,553
\$	3,791,844	\$ 4,310,192	\$ 4,901,830	\$ 4,941,835	\$ 4,529,295	\$ 4,279,694
\$	384,622	\$ 638,841	\$ (3,137,985)	\$ (1,100,948)	\$ (876,239)	\$ (921,869)
	(18,002)	(9,466)	2,641,970	581,350	(55,442)	(89,880)
\$	366,620	\$ 629,375	\$ (496,015)	\$ (519,598)	\$ (931,681)	\$ (1,011,749)

VILLAGE OF HAWTHORN WOODS, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010**	2011	2012
GENERAL FUND				
Nonspendable				
Prepaid items	\$ -	\$ 157,867	\$ 168,988	\$ 187,049
Restricted				
Highway and streets	-	34,845	-	-
Assigned				
Cash reserves	-	162,763	742,454	1,173,612
Unassigned	-	-	-	278,684
Reserved	126,931	-	-	-
Unreserved	177,748	-	-	-
TOTAL GENERAL FUND	\$ 304,679	\$ 355,475	\$ 911,442	\$ 1,639,345
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ 867
Restricted				
Highway and streets	-	301,900	368,909	469,169
Debt service	-	17,204	-	320
Capital improvements	-	212,373	293,991	270,966
Special recreation	-	35,136	284,527	342,279
Assigned				
Capital improvements	-	539,321	995,561	897,302
Parks and recreation	-	135,987	-	28,708
Sister Cities	-	-	-	-
Unassigned	-	-	-	-
Reserved	2,610,178	-	-	-
Unreserved, reported in				
Special Revenue Funds	541,222	-	-	-
Capital Projects Funds	-	-	-	-
TOTAL ALL OTHER GOVERNMENT FUNDS	\$ 3,151,400	\$ 1,241,921	\$ 1,942,988	\$ 2,009,611

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

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2017	2018
\$	35,145	\$ 65,615	\$ 71,296	\$ 42,758	\$ 83,240	\$ 41,606
	-	-	-	-	-	-
	1,192,322	1,332,063	1,351,238	1,420,913	1,405,369	1,434,650
	528,117	546,020	776,900	10,575	81,242	606,775
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	1,755,584	\$ 1,943,698	\$ 2,199,434	\$ 1,474,246	\$ 1,569,851	\$ 2,083,031
\$	17,332	\$ 17,332	\$ 17,852	\$ 17,852	\$ 18,409	\$ 30,565
	498,996	568,544	447,050	368,897	317,374	332,827
	6,243,097	5,749,639	5,418,760	4,461,500	3,771,188	3,079,847
	249,360	294,601	-	-	-	-
	438,674	485,350	460,220	478,643	510,535	366,362
	1,280,026	1,676,407	2,084,580	2,578,211	2,055,927	1,230,920
	27,621	-	-	-	-	-
	-	2,677	4,294	5,112	6,604	7,437
	-	(89,539)	(179,798)	(133,595)	(190,816)	(221,467)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	8,755,106	\$ 8,705,011	\$ 8,252,958	\$ 7,776,620	\$ 6,489,221	\$ 4,826,491

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
REVENUES				
Taxes	\$ 1,821,790	\$ 2,137,313	\$ 2,629,294	\$ 2,584,839
Licenses, permits and fees	788,389	782,590	975,051	945,277
Intergovernmental	904,815	930,653	1,203,190	1,208,133
Investment income	98,360	47,888	18,984	13,632
Contribution from property owners	-	-	-	-
Miscellaneous	131,187	300,182	1,051,174	455,258
Total revenues	3,744,541	4,198,626	5,877,693	5,207,139
EXPENDITURES				
General government	768,837	1,191,122	1,380,475	1,194,467
Building and zoning	215,496	313,575	268,975	330,120
Public safety	1,309,295	1,232,033	1,273,349	1,261,662
Public works	3,433,189	2,935,261	853,134	784,597
Parks and recreation	97,978	142,531	251,742	280,814
Capital outlay	481	127,814	328,690	422,837
Debt service				
Principal	12,592	13,353	14,193	15,076
Interest and fiscal charges	5,919	5,157	4,318	3,435
Total expenditures	5,843,787	5,960,846	4,374,876	4,293,008
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,099,246)	(1,762,220)	1,502,817	914,131
OTHER FINANCING SOURCES (USES)				
Transfers in	982,667	36,856	97,629	466,250
Transfers (out)	(1,174,287)	(133,319)	(343,412)	(585,855)
Debt certificates issued at par	-	-	-	-
Premium of debt certificates issued	-	-	-	-
Installment contracts issued	-	-	-	-
Total other financing sources (uses)	(191,620)	(96,463)	(245,783)	(119,605)
NET CHANGE IN FUND BALANCES	\$ (2,290,866)	\$ (1,858,683)	\$ 1,257,034	\$ 794,526
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	0.32%	0.32%	0.43%	0.45%

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2017	2018
\$	2,605,818	\$ 2,651,562	\$ 2,584,873	\$ 2,612,973	\$ 2,687,035	\$ 2,794,289
	1,398,578	1,850,366	2,124,849	2,402,311	1,791,997	1,796,373
	1,140,233	1,448,439	1,247,627	1,274,643	1,202,765	1,324,217
	8,465	201,303	159,208	156,056	156,886	140,977
	30,580	114,838	-	-	-	-
	422,806	419,072	710,078	378,895	281,629	245,942
	5,606,480	6,685,580	6,826,635	6,824,878	6,120,312	6,301,798
	1,284,758	1,403,087	1,657,116	1,795,348	1,893,610	1,612,205
	468,692	790,529	683,338	944,272	685,010	699,092
	1,275,287	1,419,335	1,552,381	1,659,150	1,792,619	1,894,357
	802,468	947,117	894,609	913,322	807,503	825,380
	359,201	574,735	704,703	676,472	800,923	985,192
	456,632	318,824	164,972	648,821	489,847	537,778
	46,597	605,000	645,000	655,000	670,000	690,000
	102,925	190,678	155,469	142,519	127,594	107,344
	4,796,560	6,249,305	6,457,588	7,434,904	7,267,106	7,351,348
	809,920	436,275	369,047	(610,026)	(1,146,794)	(1,049,550)
	216,827	409,940	719,364	1,582,594	568,137	190,000
	(476,676)	(708,196)	(1,284,728)	(2,142,594)	(613,137)	(290,000)
	6,240,000	-	-	-	-	-
	71,663	-	-	-	-	-
	-	-	-	-	-	-
	6,051,814	(298,256)	(565,364)	(560,000)	(45,000)	(100,000)
\$	6,861,734	\$ 138,019	\$ (196,317)	\$ (1,170,026)	\$ (1,191,794)	\$ (1,149,550)
	3.27%	13.42%	12.55%	11.15%	11.38%	11.09%

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
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%
2016	424,607,885	7,188,921	2,130,265	123,744	434,050,815	0.462	1,302,152,445	33.333%
2017	447,500,744	7,383,130	2,092,940	102,208	457,079,022	0.458	1,371,237,066	33.333%

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

Note: 2018 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	2008	2009	2010	2011
Village Direct Rates (A)				
Corporate	0.044	0.018	0.086	0.061
Police protection	0.167	0.166	0.147	0.190
Street and bridge - Ela	0.096	0.074	0.079	0.092
Audit tax	0.003	0.004	0.004	0.005
Liability insurance	0.000	0.000	0.025	0.028
Unemployment insurance	0.011	0.029	0.000	0.000
Social security	0.000	0.000	0.000	0.000
Special recreation	0.013	0.040	0.040	0.040
Total direct rate without SSAs	0.334	0.331	0.381	0.416
Special Service Areas				
SSA #1 (B)	0.223	0.221	0.229	0.253
SSA #2	0.139	0.132	0.135	0.149
SSA #3	0.210	0.204	0.214	0.242
Total direct rate with SSAs	0.906	0.888	0.959	1.060
Overlapping Rates				
Lake County	0.453	0.464	0.505	0.554
Lake County Forest Preserve	0.199	0.200	0.198	0.201
Ela Township - Corp.	0.084	0.084	0.091	0.099
Ela Township - R & B	0.005	0.007	0.008	0.009
Ela Township - Gravel	0.038	0.036	0.039	0.042
School District #95	3.899	3.901	4.136	4.446
School District #96	2.869	2.916	3.086	3.453
School District #79	2.435	2.485	2.663	2.937
Consolidated H.S. District #125	2.139	2.185	2.306	2.465
Community College #532	0.196	0.200	0.218	0.240
Ela Area Library	0.308	0.308	0.329	0.356
Countryside Fire District	0.417	0.421	0.422	0.495
Lake Zurich Fire District	0.561	0.564	0.607	0.504
Wauconda Fire District	0.432	0.442	0.480	0.530
Long Grove Fire District	0.549	0.599	0.616	0.692
TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION	15.490	15.700	16.663	18.083
SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE OF HAWTHORN WOODS	3.60%	3.52%	3.66%	3.70%

(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: 2018 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

2012	2013	2014	2015	2016	2017
0.068	0.124	0.128	0.117	0.138	0.108
0.229	0.239	0.242	0.273	0.236	0.245
0.087	0.047	0.028	0.000	0.000	0.000
0.005	0.006	0.005	0.006	0.005	0.005
0.031	0.033	0.046	0.045	0.043	0.039
0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.021
0.040	0.040	0.040	0.040	0.040	0.040
0.460	0.489	0.489	0.481	0.462	0.458
0.279	0.267	0.267	0.257	0.243	0.237
0.166	0.161	0.165	0.160	0.148	0.138
0.271	0.259	0.261	0.251	0.241	0.233
1.176	1.176	1.182	1.149	1.094	1.066
0.608	0.663	0.682	0.663	0.632	0.622
0.212	0.218	0.210	0.208	0.193	0.187
0.088	0.100	0.100	0.098	0.095	0.093
0.010	0.057	0.055	0.055	0.053	0.010
0.030	0.000	0.000	0.000	0.000	0.042
4.914	5.242	5.291	5.191	5.021	4.960
3.756	3.976	4.040	3.870	3.690	3.655
3.267	3.521	3.606	3.514	3.298	3.209
2.751	2.989	3.049	3.004	2.858	2.862
0.272	0.296	0.306	0.299	0.285	0.281
0.386	0.409	0.410	0.398	0.381	0.371
0.552	0.597	0.613	0.598	0.570	0.559
0.654	0.695	0.705	0.542	0.601	0.488
0.614	0.681	0.709	0.699	0.662	0.652
0.766	0.812	0.830	0.798	0.770	0.750
20.056	21.432	21.788	21.086	20.203	19.807
3.68%	3.53%	3.47%	3.50%	3.49%	3.51%

VILLAGE OF HAWTHORN WOODS, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2017 Tax Levy			2008 Tax Levy		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Hawthorn Woods Country Club LLC	\$ 1,520,003	1	0.33%	\$ 1,643,778	1	0.33%
Toll Brothers Inc.	913,518	2	0.20%	915,503	2	0.19%
Aqua Illinois, Inc. Regional Office	819,567	3	0.18%	781,339	3	0.16%
Taylor Morrison of Illinois, Inc	583,966	4	0.13%			
Individual	528,721	5	0.12%			
AGP Investments, LLC	527,966	6	0.12%			
Tauke Properties, Inc.	521,920	7	0.11%			
Individual	500,208	8	0.11%			
Pulte Home Corporation	489,924	9	0.11%			
Individual	476,790	10	0.10%			
Toll IL HWCC, LP				753,174	4	0.15%
Stonebridge & Associates				670,170	5	0.14%
Boss Hob, LLC				521,927	6	0.11%
Individual				514,556	7	0.10%
Individual				490,911	8	0.10%
Individual				484,564	9	0.10%
Individual				467,994	10	0.09%
	<u>\$ 6,882,583</u>		<u>1.51%</u>	<u>\$ 7,243,916</u>		<u>1.47%</u>

Notes: 2018 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
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	3,314,196	3,248,833	98.03%
2017	3,354,194	3,046,660	90.83%
2018(A)	3,520,142	N/A	N/A

(A) Collections for the 2018 Tax Levy Year will not be received until fiscal year 2019.

(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			
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
2017	-	3,707,091	-	-	2,035,000	9,128	5,751,219	1.74%	751
2018	-	3,009,167	-	-	1,875,000	8,410	4,892,577	1.48%	586

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 101 for personal income and population data.

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, 2018

Governmental Unit	Gross Debt (A)	Percentage Debt Applicable to the Village (B)	Village's Share of Debt
Village of Hawthorn Woods	\$ 3,009,167	100.000%	\$ 3,009,167
Lake County, including Forest Preserve District	414,895,000	1.760%	7,302,152
Ela Area Public Library District	-	19.637%	-
Fremont Public Library District	-	7.813%	-
Mundelein Park District	3,610,000	0.064%	2,310
Countryside Fire Protection District	3,155,000	11.362%	358,471
School District #79	13,745,000	21.792%	2,995,310
School District #96	-	2.090%	-
Community Unit School District #95	7,454,349	14.812%	1,104,138
High School District #120	14,649,155	6.498%	951,902
High School District #125	44,745,000	3.545%	1,586,210
Community College District #532	<u>58,465,000</u>	1.852%	<u>1,082,772</u>
TOTAL OVERLAPPING DEBT	<u>\$ 560,718,504</u>		<u>\$ 15,383,265</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 563,727,671</u>		<u>\$ 18,392,432</u>

(A) Gross debt is calculated as of December 31, 2018.

(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 2017 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
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	350,991	150,000	105,960	1.37
2017	337,186	155,000	100,710	1.32
2018	349,152	160,000	95,285	1.37

*As defined in applicable bond indentures and governing laws.

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, 2018

Maximum allowable general obligation debt (8.625% of assessed valuation of \$457,079,022)	\$ 39,423,066
General obligation bonds	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 39,423,066</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
2009	7,716	\$ 380,753,736	\$ 49,346	9.90%
2010	7,663	330,727,417	43,159	10.60%
2011	7,663	330,727,417	43,159	8.60%
2012	7,663	330,727,417	43,159	8.70%
2013	7,663	330,727,417	43,159	8.20%
2014	7,663	330,727,417	43,159	6.20%
2015	7,663	330,727,417	43,159	6.10%
2016	7,663	330,727,417	43,159	5.20%
2017	7,663	330,727,417	43,159	4.70%
2018	8,348	330,727,417	43,159	4.70%

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	2018			2009		
	Employees	Rank	% of Total Village Population	Employees	Rank	% of Total Village Population
Hawthorn Woods Country Club - Kemper S	96.0	1	1.1%	70.0	2	0.9%
Community Unit School District 95	70.0	2	0.8%	90.0	1	1.2%
Village of Hawthorn Woods	34.0	3	0.4%	30.0	4	0.4%
Hawthorn Gardens	30.0	4	0.2%	27.0	5	0.3%
Country Bumpkin	20.0	5	0.3%	20.0	7	0.3%
The Goddard School	20.0	6	0.2%			
Oreganos	17.0	7	0.2%			
St. Matthew Lutheran Church and School	15.0	8	0.2%	19.0	8	0.2%
Inland Bank	12.0	9	0.1%			
RH Insurance	11.0	10	0.1%	14.0	9	0.2%
Barn Nursery				22.0	6	0.3%
Toddler Tyme				13.0	10	0.2%
Toll Brothers				45.0	3	0.6%
TOTAL	325			350		

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL GOVERNMENT										
Administration	3.0	3.0	2.0	4.0	4.0	2.0	3.0	3.0	3.0	2.0
Finance	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Building and zoning	1.0	2.0	2.0	2.0	2.0	3.0	4.0	4.0	4.0	4.0
Parks and recreation	1.0	1.0	1.0	1.0	1.0	2.0	5.0	4.0	4.0	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	8.0	9.0	9.0	9.0	9.0	10.0	12.0	12.0	12.0	12.0
HIGHWAYS AND STREETS										
Administration	1.0	1.0	1.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0
Street maintenance	3.0	3.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL	19.0	21.0	22.0	25.0	26.0	28.0	36.0	35.0	35.0	34.0

Data Source

Village records

VILLAGE OF HAWTHORN WOODS, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Police										
Physical arrests	119	115	138	132	81	70	79	83	87	107
Parking violations	871	680	638	767	1,426	1,011	662	647	515	454
Traffic violations	2,386	2,170	2,009	1,235	1,783	743	1,028	1,123	1,550	1,790
PUBLIC WORKS										
Vehicles maintained by department	20.0	20.0	20.0	21.0	22.0	24.0	25.0	26.0	27.0	27.0
Street reconstruction (miles)	0.5	-	-	-	-	-	-	-	-	-
Street resurfacing (miles)	4.5	-	-	-	-	-	-	-	0.2	1.3

Data Source

Various village departments

VILLAGE OF HAWTHORN WOODS, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	8	8	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	52.0
Streetlights	38	38	38	38	38	53	53	53	63	63
Traffic signals	2	2	2	2	2	2	2	2	2	2
										24.700
WASTEWATER										
Miles of storm sewers	24	24	24	24	24	24	24	24	24.7	
Miles of sanitary sewers	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Miles of forcemain	-	-	-	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Lift stations	-	-	-	2	2	2	2	2	2	2

Data Source

Various village departments