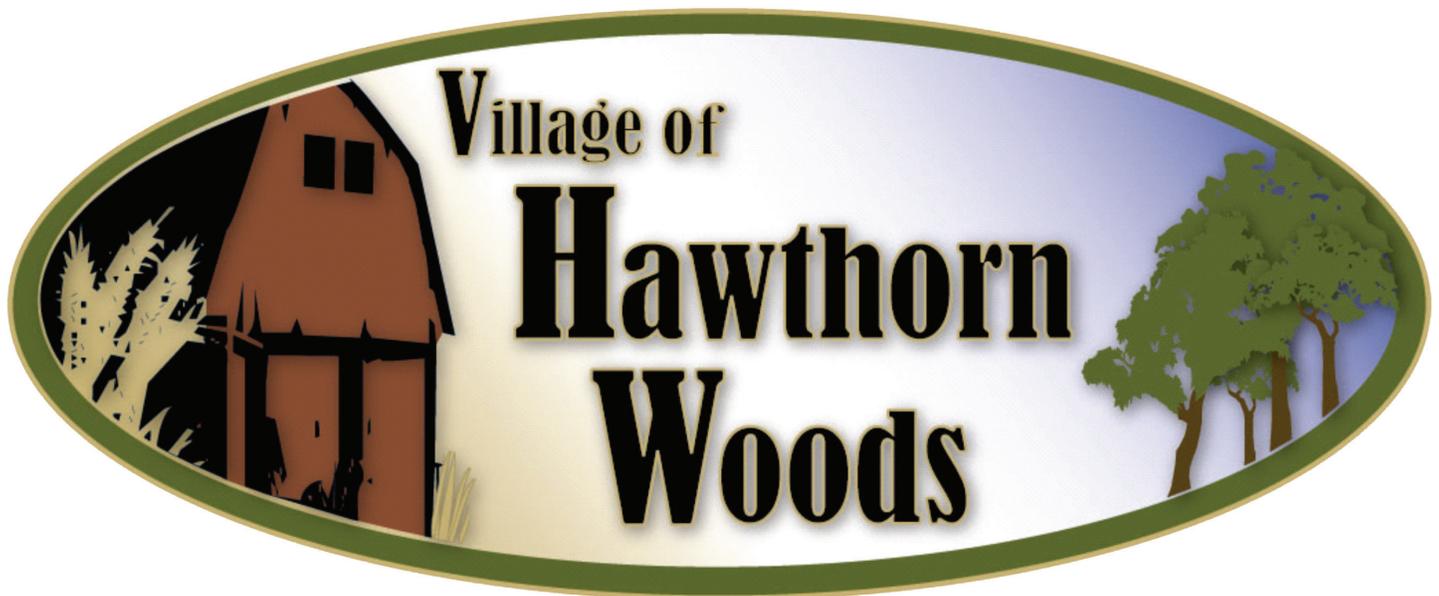


**VILLAGE OF  
HAWTHORN WOODS, ILLINOIS**

**Popular Annual Financial Report**



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

Information from this document can be found in our  
Comprehensive Annual Financial Report at [www.vhw.org](http://www.vhw.org)

# A Letter From Management

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Dear Residents,

The Village of Hawthorn Woods is pleased to present the Fiscal Year (FY) 2018 Popular Annual Financial Report (PAFR). As Village staff, we strongly believe in maintaining good communication with our residents to promote transparency efforts and demonstrate a strong responsible form of governance.

This report is designed to provide a summary view of the Village's financial activities. The information in this report is based on the Village's FY 2018.

## Village Contact Numbers

City Hall	847-438-5500
Administration	847-438-5500
Community Development	847-438-5500
Finance	847-847-3590
Human Resources	847-847-3590
Parks & Recreation	847-438-5500
Police Department	847-438-9050
Public Works	847-540-5223
Village Clerk	847-438-5500

For the 13th consecutive year the Village of Hawthorn Woods received Certificate of Achievement for the Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA) of the United States and Canada for fiscal year ending December 31, 2017. The Certificate of Achievement is considered the highest form of recognition in the area of government accounting and financial reporting. This is also the very first Popular Financial Annual Report (PAFR) the village has produced. In the future this document will be submitted to the GFOA for award consideration. This award and initiative shows the Village's commitment to providing fiscal accountability and transparency.

## Village Executive Leadership Team

Pamela Newton	Chief Operating Officer
Donna Lobaito	Village Clerk
Kristin Kazenas	Chief Financial Officer/ Human Resources Director
Jennifer Paulus	Chief of Police
Erika Frable	Public Works Director
Brian Sullivan	Director of Parks and Recreation

We hope that after reading and reviewing this report that our residents will have greater knowledge about the Village's financial condition. If you have any questions or comments regarding the information presented in this report, or any other Village financial report, please contact the Finance Department at 847-847-3590.

Warmest Regards,

Pamela Newton, MSOL  
ICMA Credentialed Manager  
Chief Operating Officer

Kristin Kazenas  
CPA MBA CPFO  
Chief Financial Officer/  
Human Resource Director

# About The Village of Hawthorn Woods

## Our Vision

On March 10, 1958, the formation of the Village of Hawthorn Woods was approved by a unanimous vote of the 71 residents who formed the original residents of our community. Hawthorn Woods became Lake County's 31st municipality and quickly distinguished itself as an upscale, friendly community that placed a high value on the protection of our natural resources as we designed an estate lifestyle within the suburban region.



With approximately 8,500 residents, Hawthorn Woods remains a highly desirable place to live, work, and shop in a natural setting among trees, lakes, and parks. Hawthorn Woods is recognized for its beautiful open spaces and park amenities as well as great schools, friendly business districts, and professional services. A full service Police Department, Public Works Department, Finance Department, Community Development Department, and Parks and Recreation Department all work together to provide excellence in service to the citizens, visitors, and thriving business community here in Hawthorn Woods.

## A Distinctive Lifestyle

With the addition of the Hawthorn Woods Country Club, the Village has continued along a controlled population growth trend with many estates on one acre or larger. The Village of Hawthorn Woods built a state-of-the-art aquatic center that has become the central gathering place for residents each summer. Future plans include bike trails designed to connect the neighborhoods to the parks, and a downtown sustainable community to create a hometown appeal. The Village of Hawthorn Woods provides many recreation and leisure activities, including a senior's group, wonderful preschool programs, recreation classes, a summer camp, and fun for the entire family. The Village holds free concerts in the park each Friday on summer evenings, a series of movie in the park and barn events, and offers free special events to the residents including an annual Fall Family Fun Fest, 4th of July celebrations, and an old fashioned holiday tree lighting ceremony complete with carolers and hot chocolate.

## A Hometown Welcome

Hawthorn Woods welcomes you to learn more about our special oasis approximately 40 miles from downtown Chicago, but a world away from typical suburbs. Preserving the rural atmosphere while maintaining quality workmanship and design in new developments creates a lifestyle full of amenities in Hawthorn Woods. Our community logo features our historic barn, displaying our desire to embrace the rural heritage of our past while welcoming the opportunities that will define our future.

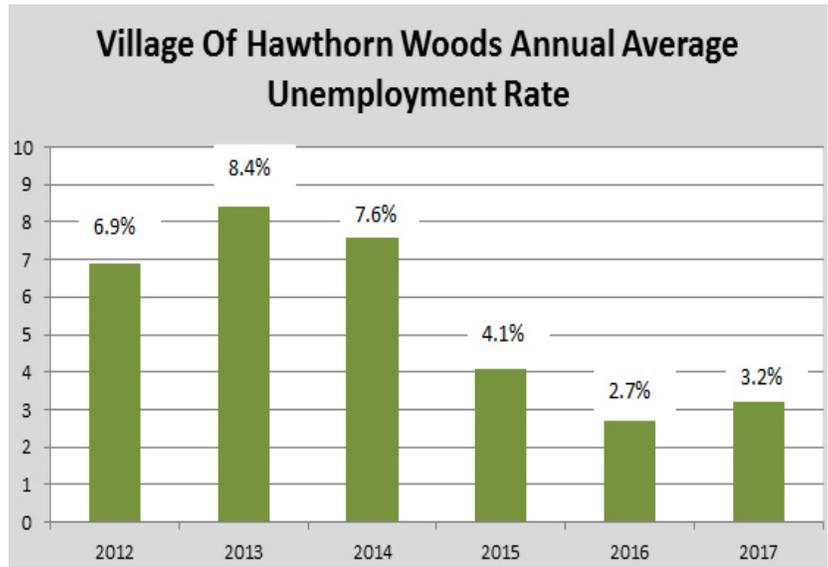
# Key Facts About the Village of Hawthorn Woods

The Village of Hawthorn Woods, a non-home rule community, is known for an exceptional quality of life with abundant open space and recreational opportunities, with the emphasis on environmental initiatives. The Village covers an area of seven and a half square miles and is located in Lake County, Illinois. With a relatively substantial amount of the seven and a half square miles within the Village's boundaries still undeveloped.

## Hawthorn Woods Facts

Population	8,438
Median Household Income	\$168,224
Median Home Value	\$481,400
Per Capita Income	\$69,211
Total Housing units	2,543
Full time Village positions	22
Persons in Poverty	3.1%
High School Graduate (or higher)	96%

\*Source: 2012-2017 American Community Survey from the U.S. Census Bureau Internet site.



## Awards and Recognitions

In 2018 the Village of Hawthorn Woods was a national champion in its population category of 5,000 – 10,000 in the America in Bloom Competition. The Village was recognized for its environmental initiatives, community vitality, and beautification efforts. The Village of Hawthorn Woods earned the SolSmart Silver Designation Award from SolSmart with the solar energy efforts that the Village promotes. Hawthorn Woods was also awarded the Urban Forestry Award from the Morton Arboretum's Chicago Region Trees Initiative. Mayor Joseph Mancino was recognized and awarded the Mayoral Excellence in Environmental Achievement Award from the Midwest Sustainability Group for the numerous amounts of environmental initiatives that the Village is implementing. The Village prides itself on the rigorous pursuit of achieving excellence in all of its operations.



Mayoral Excellence Award



Village Flower: Cheyenne Spirit



America in Bloom Award

# Hawthorn Woods Elected Officials

The Village of Hawthorn Woods is comprised of a Mayor and six Trustees, all of whom are elected at-large on a non-partisan basis. 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.



Mayor Joseph Mancino



Trustee Kelly Corrigan



Trustee Michael David



Trustee Dominic DiMaggio



Trustee James Kaiser



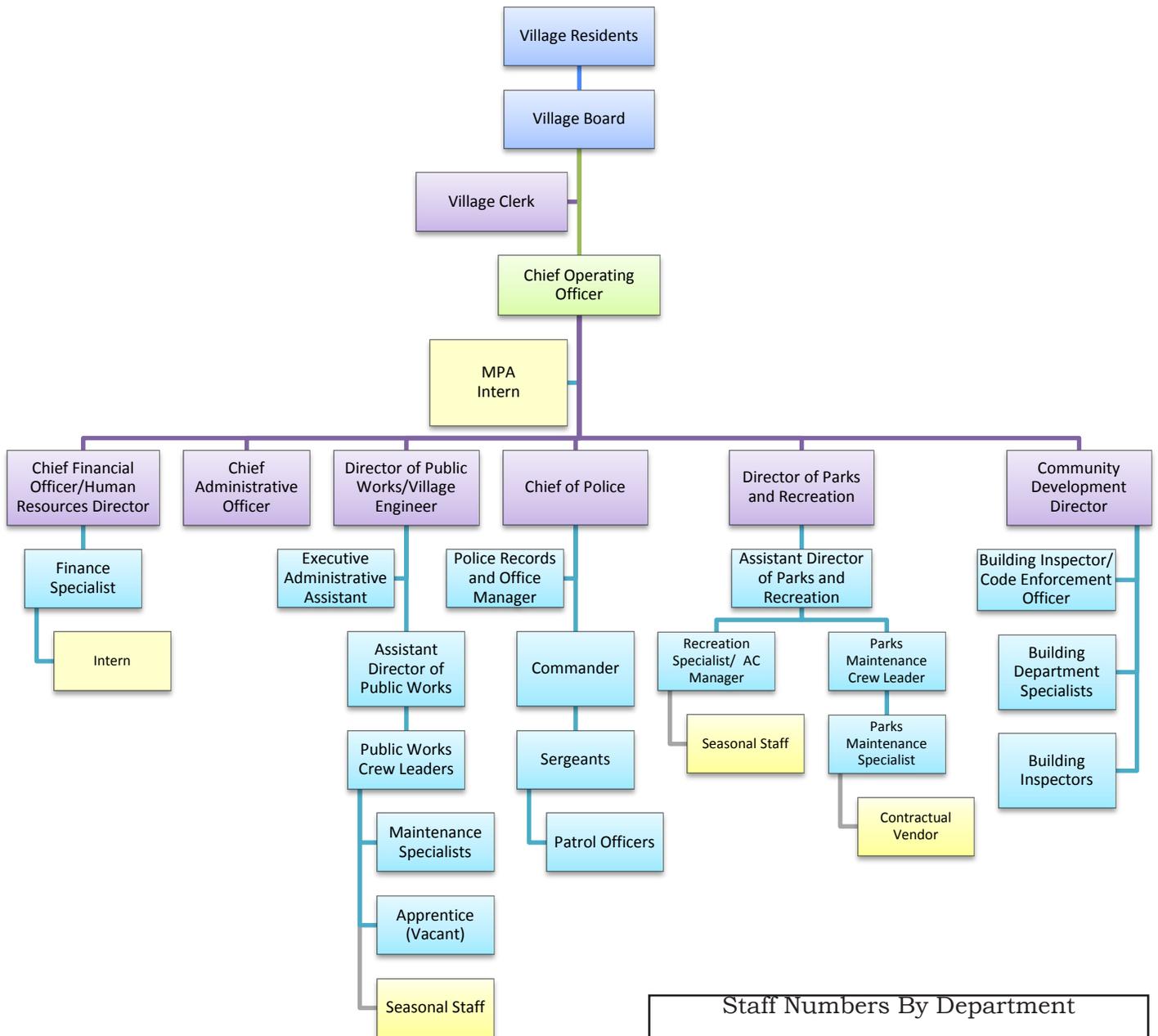
Trustee Steve Reiss



Trustee Jayne Kosik

# Organizational Chart

The Organizational Chart below highlights how the Village is staffed and the positions that are needed to effectively and efficiently carry out the necessary Village operations.



Public Works	9
Police Department	13
Administration	3
Parks and Recreation	5
Finance	2
Building Department	3
Summer (Seasonal)	75

# Capital Improvement Plan

Municipalities continually have to address the repairs, maintenance, and replacement of municipal facilities, infrastructure, and equipment. In addition to the repair and replacement needs, the Village also has to prioritize building new infrastructure to keep pace with the community growth and the needs of the residents. In an effort to plan properly and look beyond the yearly budgeting needs, staff has prepared a capital improvement plan to address what, when, and where future improvements are to be made. This plan is updated and analyzed annually, which helps the Board and staff to prioritize and budget the needs of the Village to ensure a sustainable vision for the future. Below is a partial list of projects planned for fiscal year 2019:

- Continue the utility expansion for water and sewer services, and improve capacity standards.
- Actively diversify the housing stock to attract and retain a vibrant and diverse population in Hawthorn Woods.
- Continue to address land parcel annexations for future Village growth and expansion opportunities.
- Update Village facilities to ensure excellent service deliverability and efficient response times.
- Replace the roof on the Public Works building. The roof is suffering from large leaks and a replacement is critical to ensure service and productivity are not negatively impacted.
- Design and construction of an inclusive natural park at Meadowlark Drive in Lorraine Lakes. The Village was awarded a \$105,000 grant to help finish this project.
- Continue to update the Village facilities, parks, and open spaces to ensure ADA compliance with the Village's 2014 Accessibility Audit adopted in December of 2014.
- Replace 1 to 2 police squad cars to ensure prompt police response in the event of an emergency.



# Fiscal Condition

Net position over time serves as an indicator of the Village's financial position and viability. The financial highlights for the Village of Hawthorn Woods provides an overview of the Village's financial activities for the year ended December 31, 2018. The Village's total net position was in good standing, where assets exceeded liabilities by \$15,428,453 as of December 31, 2018. The Village uses a Statement of Net Position to demonstrate the condition based on the year's financial activities. The table that is exhibited below combines information about the Village's assets and liabilities to show the net position.

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.

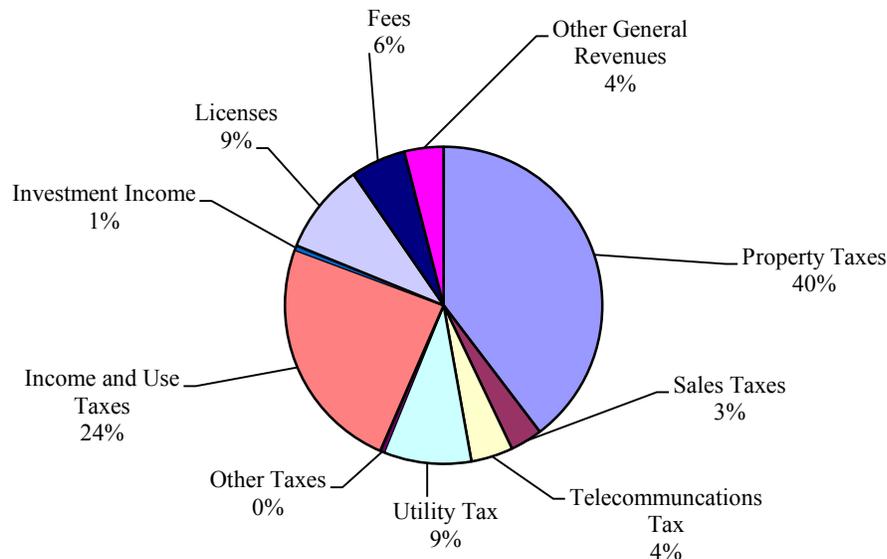
\*All of the financial information comes from the Comprehensive Annual Financial Report (CAFR) using the same basis of accounting as presented in the CAFR. For additions financial information for the Village please view the CAFR on the Village's Website.

	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

# General Fund Revenues: Where the Money Comes From

The General Fund is the Village's primary operating fund. This fund supports the core municipal services provided by the Village. Various types of taxes provide a majority of the resources available in the General Fund. The Village's General Fund revenues include taxes, licenses and fees, investment income, and other general revenues. The General Fund revenues for the year totaled \$4,166,555.

**General Fund Revenues  
December 31, 2018**



## General Fund Expenditures: Where does it go?

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

- Administration reported \$343,555 compared to budget of \$453,024, resulting in a positive variance of \$109,469. This was primarily due to a decision to defer the hiring of the vacant Management Analyst position and the contingency budget line item that was not utilized.
- Legal reported \$111,827 compared to budget of \$231,250, resulting in a positive variance of \$119,423. This was primarily due to a delay in the timing of legal proceedings related to ongoing litigation.
- Risk Management reported \$357,154 compared to budget of \$434,718 resulting in a positive variance of \$77,564. This was primarily due to premium savings experienced in general liability, workers compensation and unemployment premiums.
- Public works reported \$583,494 compared to budget of \$639,066 resulting in a positive variance of \$55,572. This was primarily due an unseasonably warm winter resulting in less personnel and materials costs for snow removal.

# Long-Term Debt Obligation

As of December 31 2018, the Village had total outstanding debt of \$4,850,000 as compared to \$5,700,000 the previous year. The debt issued was used to pay for a road construction project (2003-2010) and the construction of the Aquatic Center. During 2018, the Village made the scheduled principal and interest payments on the outstanding revenue bonds and debt certificates. The Chart below is a comparative statement of the outstanding debt:

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

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. The Village did not issue any new debt in 2018.

## Special Service Area Bonds

As of December 31, 2018, there were four Special Service Area (SSA) bonds outstanding: SSA #1 Refunding Bonds, Series 2013A, SSA #2 Refunding Bonds, Series 2013B, SSA #3 Refunding Bonds, Series 2013C, and SSA #4-2006 bonds. The SSA bonds outstanding totaled \$5,458,000. The SSA Bonds were used to fund previous infrastructure construction. The Village does not own the bonds and only acts as an agent for the property owners in levying and collecting the assessments and forwards the collections to the bondholders of the SSA.



# Governmental Funds

The Village maintains eight individual governmental funds. Information regarding these funds are presented separately in the governmental fund balance sheet, the governmental fund statement of revenues, expenditures, and changes in fund balances reports. The eight individual governmental funds are: General Fund, Motor Fuel Tax Fund, Community Development Fund, Parks and Recreation Fund, Park Donation Fund, Capital Improvements Fund, Debt Service Fund, and the Sister Cities Fund. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The Village adopts an annual appropriated budget for all of the governmental funds, (except the Debt Service Fund).

The basic governmental fund financial statements can be found on pages 7 - 12 of the Comprehensive Annual Financial Report.

# 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 the Comprehensive Annual Financial 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 are considered major funds of the Village. The basic proprietary fund financial statements can be found on pages 13 - 15 of the Comprehensive Annual Financial Report.



# Understanding Property Tax

Village of Hawthorn Woods property owners pay property taxes which generate revenue used to operate the Village departments, school districts, fire districts, libraries, townships, and township road districts. There are some overlapping districts in Hawthorn Woods, so the average property tax bill depends on where you live in the Village.

The Village of Hawthorn Woods is under the Property tax Extension Limitation Law which caps increases in property tax extensions for non-home rule taxing districts. Increases in tax extensions are limited to the lesser of 5% or the percentage increase in the Consumer Price Index (CPI) for the year preceding the levy year.

A common misconception about property taxes is that all the money collected goes to the Village. The Village's portion of a residents total tax bill is approximately 6%-8%. The Village relies on a combination of sales tax, property taxes, and other fees collected to provide essential core services to its residents. The chart below illustrates the breakdown of a typical residential tax bill with the top four entities that receive a portion of your property tax bill.





## Glossary of Accounting Terms

**Appropriation** – The legal authorization to incur obligations and to make expenditures for specific purposes.

**Assessed Value** – A value set upon real property for use as a basis of levying taxes.

**Debt Services** – Expenditures to pay the principal and interest of all bonds and other debt instruments according to a predetermined payment schedule.

**Depreciation** – A calculation of the estimated decrease in value of physical assets due to usage and passage of time.

**Equalized Assessed Valuation** – The assessed valuation of real property raised or lowered by an equalizing factor as applied by a countywide and statewide authority, so that all property that is assessed at a consistent level for purposes of levying taxes. In Illinois, equalized valuation of real property is one-third of fair market value.

**Expenditure** – The actual outlay of or obligation to pay cash. This does not include encumbrances.

**Expenses** – Decreases in net total assets. Expenses represent the total cost of operating during a period regardless of timing of related expenditures.

**General Obligation Bonds** – bonds in which the full faith and credit of the issuing government are pledged.

**Intergovernmental Revenue** – Revenue that is received from or through the Federal, State, or County government.

**Net Position** – The value of the position after subtracting the initial cost of setting up the position.

**Operating Expenses** – fund expenses that are ordinary, recurring in nature and directly related to the fund's primary service activities.

**Operating Revenues** – Funds that the Village receives as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, interest earnings and grant revenues. Operating revenues are used to pay for the day-to-day services the village performs.

