

**LAKE COUNTY PUBLIC WORKS  
DEPARTMENT WATERWORKS  
AND SEWERAGE SYSTEMS FUND**

An Enterprise Fund of Lake County, Illinois

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended November 30, 2016 and 2015

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

An Enterprise Fund of Lake County, Illinois

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As of and for the Years Ended November 30, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

To the Public Works Committee  
Lake County Public Works Department  
Waterworks and Sewerage Systems Fund  
Libertyville, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Lake County Public Works Department, Waterworks and Sewerage Systems Fund (department), an enterprise fund of Lake County, Illinois, as of November 30, 2016 and 2015, and the related notes to the 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 auditors' 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 over financial reporting relevant to the department'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 department'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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the department as of November 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Public Works Committee  
Lake County Public Works Department

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Lake County Public Works Department, Waterworks and Sewerage Systems Fund enterprise fund and do not purport to, and do not present fairly the financial position of the County of Lake, Illinois, as of November 30, 2016 and 2015 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. 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 required supplemental information as listed in the table of contents be presented to supplement the financial statements. Management's Discussion and Analysis does not include a discussion of changes in financial position between 2014 and 2015. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

To the Public Works Committee  
Lake County Public Works Department

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the overall department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including those systems applicable to the department. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
May 19, 2017

# **LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended November 30, 2016 and 2015 (UNAUDITED)**

The Management's Discussion and Analysis (MD&A) provides users of the Lake County Public Works Department's (department) financial statements an analytical overview of the department's financial position for the fiscal years ended November 30, 2016 and 2015. The users are encouraged to consider the information presented here in conjunction with additional information furnished in the Lake County Public Works Department's financial statements.

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### **FINANCIAL HIGHLIGHTS**

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- > The department operations provided funds sufficient to meet the required reserve transfers for fiscal year 2016. Total funds transferred in accordance with the bond ordinance during fiscal year 2016 were \$5.1 million.
- > In 2016, the department invested \$26.4 million in property, plant and equipment. The additions were primarily for continuing renovation and improvements of potable water systems, wastewater treatment plants, replacement of water mains, rehabilitation of sanitary sewer lines, lift stations and replacement of vehicles and equipment.
- > The department's \$38.48 million operating revenues remained relatively flat compared to \$37.85 million for fiscal year 2015. This was due to an increase in rates effective December 1, 2015, partially offset by a decrease in usage. The operating expenses excluding depreciation expense increased by \$2.37 million dollars or 7.9%. The revenues generated from new permits were substantially lower by \$2.6 million or 58.2% compared to fiscal year 2015.

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide information about the department's financial performance for the fiscal years ended November 30, 2016 and 2015.

The Public Works Department is considered an enterprise fund of Lake County, Illinois that provides water and sewerage services to various communities within the county. This business-type activity is intended to recover all or a significant portion of its operating cost and required contribution to reserve accounts through user fees and charges. The Public Works and Transportation Committee of Lake County establishes rates and service rules managed by the Public Works Department. Accounting records are maintained in accordance with the Governmental Accounting Standards.

The Statement of Net Position includes all of the department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and the amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the department. The following Table 1 has been condensed for analysis purposes. Please review the financial statements section in order to review details of this statement.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended November 30, 2016 and 2015  
(UNAUDITED)

## OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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

	2016	2015	2014	Amount Change 2016 - 2015	% Change 2016 - 2015
<b>Assets</b>					
Current and other assets	\$ 68,281,194	\$ 71,399,975	\$ 72,872,020	\$ (3,118,781)	-4.4%
Capital assets	269,265,612	252,188,277	232,870,753	17,077,335	6.8%
Total Assets	337,546,806	323,588,252	305,742,773	13,958,554	4.3%
<b>Deferred Outflows of Resources</b>					
Related to pension	3,608,969	1,792,765	-	1,816,204	101.3%
<b>Liabilities</b>					
Debt outstanding	55,276,225	41,459,586	39,905,000	13,816,639	33.3%
Other liabilities	14,786,996	10,967,136	6,892,490	3,819,860	34.8%
Total Liabilities	70,063,221	52,426,722	46,797,490	17,636,499	33.6%
<b>Deferred Inflows of Resources</b>					
Related to pension	112,374	160,889	-	(48,515)	-30.2%
Unearned property tax revenue	518,394	729,751	723,187	(211,357)	-29.0%
Total deferred inflows of resources	630,768	890,640	723,187	(259,872)	-29.2%
<b>Net Position</b>					
Net position invested					
in capital assets	213,743,587	211,368,943	193,657,122	2,374,644	1.1%
Restricted net position	29,510,013	32,102,706	35,412,350	(2,592,693)	-8.1%

The department's total net position is \$270,461,786 as of November 30, 2016, and it represents the amount of assets exceeding liabilities. The largest portion of the net position total, \$213,743,587 is made up of the department's investment in capital assets. This represents the cost of the department's capital assets used to provide services to the customers net of the debt related to these assets. These assets include land, buildings, equipment and water and sewerage systems and they are not available for the department's future solvency needs. Restricted net position is \$29,510,013 and represents resources that are subject to bond ordinance covenants as to how they may be spent. Included in this total are assets that are restricted for the future payment of debt and construction projects. Unrestricted net position of \$27,208,186 represents the remaining balance that may be used to pay for the department's day-to-day operations.

# **LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended November 30, 2016 and 2015  
(UNAUDITED)

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

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In 2016, the department has invested \$26.4 million in property, plant and equipment, primarily for continuing renovation and improvements of potable water systems, wastewater treatment plants, replacement of water mains, rehabilitation of sanitary sewer lines, lift stations and replacement of vehicles and equipment. The depreciation expense increased by \$532,205 as expected due to the department's continuing investments into the water and sewer systems.

During the current year, the department's long-term capital related debt increased by \$13.5 million to \$55.0 million compared to \$41.5 million for the prior year. This is the net result of significant additions related to the Des Plaines Water Reclamation Facility and other projects, as well as the issuance of revenue refunding bonds and new IEPA third lien series bonds.

The decrease in restricted net position of \$2.6 million primarily resultant from utilizing excess bond reserves to pay down a portion of existing debt.

Unrestricted net position decreased by \$1,383,820 or 4.8%. The decrease that occurred in the unrestricted net position during fiscal year 2016 was attributable to the operating income that was generated and the transfer of funds made to the Depreciation, Extension and Improvement Account.

Table 2 summarizes the Statement of Revenues, Expenses, and Changes in Net Position. This statement presents information pertaining to the department's financial performance during fiscal year 2016 and how this affects the department's net position. In addition, it helps the user to predict the future cash flows and the financial health of the department.



# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended November 30, 2016 and 2015  
(UNAUDITED)

## OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	2016	2015	2014	Amount Change	% Change
Operating Revenues:					
Water and sewer charges	\$ 37,995,419	\$ 37,280,425	\$ 37,260,032	\$ 714,994	1.9%
Miscellaneous	479,800	570,152	626,611	(90,352)	-15.8%
Total operating revenues	38,475,219	37,850,577	37,886,643	624,642	1.7%
Operating Expenditures					
Personnel Services	8,389,817	7,592,666	7,372,349	797,151	10.5%
Commodities	2,509,390	1,822,835	2,397,155	686,555	37.7%
Contractual	21,593,669	20,709,930	19,634,811	883,739	4.3%
Total expenses	32,492,876	30,125,431	29,404,315	2,367,445	7.9%
Operating income before depreciation	5,982,343	7,725,146	8,482,328	(1,742,803)	-22.6%
Depreciation expense	8,803,471	8,271,266	8,180,365	532,205	6.4%
Operating income (loss)	(2,821,128)	(546,120)	301,963	(2,275,008)	-416.6%
Non-operating income (expense):					
Property tax revenue	360,059	352,821	734,146	7,238	2.1%
Interest earned	174,011	161,698	166,460	12,313	7.6%
Impairment loss	-	-	(649,555)	-	
Miscellaneous	428,948	401,829	(282,740)	27,119	6.7%
Interest expense	(1,812,714)	(1,861,986)	(1,971,731)	49,272	2.6%
Income (loss) before contributions	(3,670,824)	(1,491,758)	(1,701,457)	(2,179,066)	146.1%
Capital contributions:					
Connection fees	1,844,862	4,409,114	2,828,976	(2,564,252)	-58.2%
Developer contributions	224,093	10,527,983	472,316	(10,303,890)	-97.9%
Change in net position	(1,601,869)	13,445,339	1,599,835	(15,047,208)	-111.9%
Beginning net position	272,063,655	258,222,096	256,622,261	13,841,559	5.4%
Cumulative effect of change in accounting principle	-	396,220	-	(396,220)	-100.0%
Total net position - ending	270,461,786	272,063,655	258,222,096	(1,601,869)	-0.6%

# **LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended November 30, 2016 and 2015  
(UNAUDITED)

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

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During fiscal year 2016 total operating revenues were comparable at \$38.5 million due to an increase in rates effective December 1, 2015, partially offset by a decrease in usage. Revenues from connection fees totaled \$1,844,862, a decrease from the prior year of \$4,409,114. This significant decrease was mainly due to increased expansion of both the residential and the commercial developments that took place in fiscal year 2015. In addition, interest earnings on investments totaled \$174,011 remained low, which is associated with the persistently low interest rate environment that has existed for the past several years.

Total operating expenses before depreciation during fiscal year 2016 were \$32,492,876. The total operating expenses represent an increase of \$2,367,445 or 7.9% from the fiscal year 2015. Factors contributing to this change are the following.

- > Personnel services costs, which include wages and contributions to retirement benefits, increased by the net amount of \$797,151 or 10.5%, primarily due to changes in reporting pension expense liabilities.
- > Commodities costs, which include non-capitalized improvements, small equipment and furniture costs, increased by \$686,555 or 37.7% over results reported for fiscal year 2015. This change is mostly the result of the increased spending on non-capitalized facility improvements.
- > Contractual services costs, which include the wholesale purchase of water and wastewater treatment services, increased by \$883,739 or 4.3%, which is mostly associated with the cost of Lake Michigan water purchased, and an increase in non-capital project related engineering services for the Infiltration and Inflow Reduction and Arc Flash Programs, and nutrient removal feasibility studies.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended November 30, 2016 and 2015 (UNAUDITED)

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

**Table 3  
Capital Assets**

**Table 3  
Capital Assets**

	2016	2015	2014	Amount Change	% Change
Capital assets, not depreciated					
Land	\$ 2,577,013	\$ 2,577,013	\$ 2,577,013	-	0.0%
Intangible assets	668,177	668,177	668,177	-	0.0%
Construction in progress	32,274,212	21,778,274	14,187,090	10,495,938	48.2%
Total capital assets, not depreciated	35,519,402	25,023,464	17,432,280	10,495,938	41.9%
Capital assets, depreciated					
Building and other improvements	78,159,807	78,159,807	78,159,807	-	0.0%
Improvements other than buildings					
Water facility	80,213,317	81,029,469	80,928,694	(816,152)	-1.0%
Sewer facility	192,343,280	194,759,153	181,412,672	(2,415,873)	-1.2%
Machinery and equipment	18,123,473	18,443,050	9,498,169	(319,577)	-1.7%
Completed construction not classified	15,384,868	-	-	15,384,868	100.0%
Total capital assets, depreciated	384,224,745	372,391,479	349,999,342	11,833,266	3.2%
Total Capital Assets	419,744,147	397,414,943	367,431,622	22,329,204	5.6%
Less: Accumulated depreciation	(150,478,535)	(145,226,666)	(134,560,869)	(5,251,869)	-3.6%
Net capital assets	269,265,612	252,188,277	232,870,753	17,077,335	6.8%

In 2016, the net capital assets were \$269 million. This amount represents a net increase of \$17.1 million or 6.8%, over the prior year. The major factors that contributed to this is \$8.8 million depreciating capital asset value and the new investment in the capital assets of \$26.4 million for upgrades to the Des Plaines River and Vernon Hills NCT water reclamation facilities, and Public Works Maintenance Building; the replacement and installation of various water mains and sewer lines; and the improvement of lift stations.

# **LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended November 30, 2016 and 2015  
(UNAUDITED)

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

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### **ECONOMIC FACTORS**

The department's Ten Year Capital Improvements Budget anticipates spending a significant amount of money on plant improvements, interceptor improvements and replacement of infrastructure to meet IEPA's guidelines and mandates for potable water and wastewater facilities. The department has plans to fund these projects with a combination of various funding sources, including the use of reserve funds, user fees, surcharges, and by issuing new debt. In 2015 the County Board authorized a three year phased service rate increase, to provide adequate financial resources to successfully fund these projects. The second-year rate increases went into effect on December 1.

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### **LONG-TERM DEBT**

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As of November 30, 2016, the department has a total revenue bond debt of \$55,276,255 including \$23,189,383 IEPA Loans. In 2016 the department borrowed from the IEPA Clean Water Revolving Fund to fund the construction of Northwest Regional I&I Excess Flow Facility and the renovation of Des Plaines River Water Reclamation Facility. A table of separate bond issues is included in the notes to the financial statements.

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### **CONTACTING DEPARTMENT FINANCIAL MANAGEMENT**

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This financial report is designed to provide our customers with a general overview of the department's finances. If you have questions about this report, or need additional information, please contact the Manager of Budget and Financial Control, Lake County Public Works Department, 650 West Winchester Road, Libertyville, Illinois 60048-1391 or by Phone at 847-377-7500.

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

STATEMENTS OF NET POSITION  
As of November 30, 2016 and 2015

<b>ASSETS</b>		<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS:</b>			
Operation account			
Cash	\$	7,433,775	\$ 1,058,941
Investments		20,904,105	29,220,327
Tax receivable		178,845	178,845
Customer accounts receivable			
Billed		2,002,664	1,742,991
Unbilled		5,362,401	5,162,601
Allowance for uncollectible accounts		(342,609)	(105,072)
Prepaid assets		10,000	11,500
Accrued interest receivable		122,329	66,698
Restricted Assets			
Bond interest account			
Cash		16,226	16,226
Investments		400,000	400,000
Bond fund account			
Cash		38,728	38,728
Investments		1,386,673	1,386,673
Materials and supplies		820,702	722,382
Total Current Assets		<u>38,333,839</u>	<u>39,900,840</u>
<b>NON-CURRENT ASSETS:</b>			
Accrued interest receivable		1,238	11,030
Restricted Assets			
Bond reserve account			
Cash		11,203	11,203
Investments		3,776,222	5,260,000
Depreciation, extension and improvement account			
Cash		16,066	16,066
Investments		24,600,000	24,600,000
Construction account			
Cash		195,241	244,644
Subordinated ordinance - bond reserve account			
Cash		281,075	289,882
Third Lien debt - IEPA Loan Interest/ Principal reserve account			
Cash		66,310	66,310
Investments		1,000,000	1,000,000
Capital Assets			
Capital assets		387,469,935	375,636,669
Accumulated depreciation		(150,478,535)	(145,226,666)
Construction work in progress		32,274,212	21,778,274
Total Non-current Assets		<u>299,212,967</u>	<u>283,687,412</u>
Total Assets	\$	<u>337,546,806</u>	\$ <u>323,588,252</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	\$	<u>3,608,969</u>	\$ <u>1,792,765</u>

<b>LIABILITIES</b>		
	2016	2015
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,812,078	\$ 6,577,834
Due to other funds	-	17,183
Accrued wages	345,096	291,162
Accrued payroll taxes	-	57,834
Accrued vacation	454,810	385,084
Accrued IMRF liability	-	81,345
Current Liabilities Payable from Restricted Assets		
Interest payable	53,710	27,404
Current portion of revenue bonds	2,746,038	2,934,450
Various construction accounts - accounts payable	1,790,648	982,382
Total Current Liabilities	11,202,380	11,354,678
<b>NON-CURRENT LIABILITIES:</b>		
Non-Current Liabilities Payable from Restricted Assets		
Interest Payable	238,132	-
Revenue bonds payable	52,238,345	38,497,732
Unamortized bond premium	1,232,883	154,392
Accrued sick leave	380,953	370,912
Net pension liability	3,938,368	1,251,587
Other postemployment benefit obligation	832,160	797,421
Total Non-Current Liabilities	58,860,841	41,072,044
Total Liabilities	70,063,221	52,426,722
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	112,374	160,889
Unearned revenue	518,394	729,751
Total Deferred Inflows of Resources	630,768	890,640
<b>NET POSITION</b>		
Net investment in capital assets	213,743,587	211,368,943
Restricted		
Reserve account	6,684,595	8,469,022
Depreciation, extension and improvement account	22,825,418	23,633,684
Unrestricted	27,208,186	28,592,006
Total Net Position	\$ 270,461,786	\$ 272,063,655

See accompanying notes to financial statements.

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Water and sewer charges	\$ 37,995,419	\$ 37,280,425
Miscellaneous	479,800	570,152
Total Operating Revenues	<u>38,475,219</u>	<u>37,850,577</u>
<b>OPERATING EXPENSES</b>		
Personnel services		
Salaries and wages	6,562,342	6,432,700
Pension - IMRF and social security	<u>1,827,475</u>	<u>1,159,966</u>
Total Personnel Services	<u>8,389,817</u>	<u>7,592,666</u>
Commodities		
Office supplies and maintenance	36,813	30,585
Postage	96,133	85,873
Housekeeping supplies	41,212	26,175
Gasoline	109,166	132,315
Buildings and ground supplies	115,903	128,452
Operational supplies	1,249,557	796,538
Chemical supplies	315,550	313,031
Uniforms	35,553	36,600
Laboratory supplies	121,560	115,675
Medical supplies	6,307	6,204
Non capitalized equipment and improvements	376,929	150,467
Miscellaneous	<u>4,707</u>	<u>920</u>
Total Commodities	<u>2,509,390</u>	<u>1,822,835</u>
Contractual		
Insurance		
Employees' life, health and dental	1,577,420	1,495,817
Unemployment	12,960	12,960
Self insurance - liability and worker's compensation	467,136	467,136
Miscellaneous benefits	77,078	77,637
Gas (utility)	176,516	204,051
Electricity	1,775,995	1,715,452
Telephone and telemetry	196,700	225,843
Wholesale purchase of water	4,573,982	4,130,454
Wholesale sewage treatment	8,053,320	8,339,894
Vehicle maintenance	102,935	97,898
Buildings and equipment maintenance	1,327,783	843,947
Equipment rental/real estate lease	192,169	185,808

	<u>2016</u>	<u>2015</u>
<b>OPERATING EXPENSES (cont.)</b>		
Contractual (cont.)		
Disposal service	\$ 507,958	\$ 483,598
Miscellaneous	2,551,717	2,429,435
Total Contractual	<u>21,593,669</u>	<u>20,709,930</u>
Depreciation	<u>8,803,471</u>	<u>8,271,266</u>
Total Operating Expenses	<u>41,296,347</u>	<u>38,396,697</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,821,128)</u>	<u>(546,120)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Property tax revenue	360,059	352,821
Investment income	174,011	161,698
Interest rate subsidy	339,999	340,866
Proceeds from sale of capital assets	105,492	26,358
Interest expense	(2,110,132)	(1,889,390)
Interest charged to construction	297,418	27,404
Bond issuance costs	(154,744)	-
Amortization of bond premium	138,201	34,605
Total Non-Operating Revenues (Expenses)	<u>(849,696)</u>	<u>(945,638)</u>
Income (Loss) Before Contributions	(3,670,824)	(1,491,758)
<b>CAPITAL CONTRIBUTIONS</b>	224,093	10,527,983
<b>CAPITAL CONTRIBUTIONS - CONNECTION FEES</b>	1,844,862	4,409,114
<b>CHANGE IN NET NET POSITION</b>	(1,601,869)	13,445,339
NET POSITION - Beginning of Year	272,063,655	258,222,096
Cumulative effect of a change in account principle	<u>-</u>	<u>396,220</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 270,461,786</u>	<u>\$ 272,063,655</u>

See accompanying notes to financial statements.



**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

STATEMENTS OF CASH FLOWS  
For the Years Ended November 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 38,211,895	\$ 37,789,135
Paid to suppliers	(22,827,821)	(23,221,530)
Paid to employees	(6,522,125)	(6,173,270)
Net Cash Flows From Operating Activities	<u>8,861,949</u>	<u>8,394,335</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Property tax revenue	360,059	352,821
Debt retired	(50,000)	(50,000)
Interest paid	(23,350)	(25,350)
Net Cash Flows From Noncapital and Related Financing Activities	<u>286,709</u>	<u>277,471</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(27,709,272)	(15,782,887)
Debt retired	(4,167,110)	(2,695,000)
Interest paid	(1,794,940)	(1,864,040)
Debt issuance costs	(154,744)	-
Proceeds from debt issue	18,958,599	4,299,586
Construction grants received	92,369	842,266
Interest rate subsidy	170,030	340,866
Connection charges	1,844,862	4,409,114
Net Cash Flows From Capital and Related Financing Activities	<u>(12,760,206)</u>	<u>(10,450,095)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Marketable securities purchased	(52,067,000)	(53,367,000)
Marketable securities sold	61,867,000	54,467,005
Investment income	128,172	192,542
Net Cash Flows From Investing Activities	<u>9,928,172</u>	<u>1,292,547</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>6,316,624</b>	<b>(485,742)</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,742,000</u>	<u>2,227,742</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 8,058,624</u></u>	<u><u>\$ 1,742,000</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to capital assets (net)	<u>\$ 131,724</u>	<u>\$ 9,685,717</u>
Bond proceeds used in refunding of debt	<u>\$ 11,241,688</u>	<u>\$ -</u>
Interest charged to construction	<u>\$ 297,418</u>	<u>\$ 27,404</u>

	2016	2015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (2,821,128)	\$ (546,120)
Noncash items in operating income (loss)		
Depreciation	8,803,471	8,271,266
Unearned revenue	(211,357)	6,564
Accrued other postemployment benefit liability	34,739	96,315
Changes in assets, deferred outflows, liabilities and deferred inflows		
Customer accounts receivable	(51,967)	(68,006)
Prepaid assets	1,500	-
Due from/to general fund	(17,183)	(21,723)
Materials and supplies	(98,320)	(290,617)
Prepaid connection fees	-	214,077
Accrued vacation and sick leave	79,767	14,347
Accrued IMRF liability	(81,345)	(22,255)
Accounts payable	2,405,610	879,763
Pension related deferrals and liabilities	822,062	15,931
Accrued wages and payroll taxes	(3,900)	(155,207)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 8,861,949</b>	<b>\$ 8,394,335</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Operation account	\$ 28,337,880	\$ 30,279,268
Bond interest account	416,226	416,226
Bond fund account	1,425,401	1,425,401
Bond reserve account	3,787,425	5,271,203
Depreciation, extension and improvement account	24,616,066	24,616,066
Construction account	195,241	244,644
Subordinated ordinance - bond reserve account	281,075	289,882
Third lien ordinance - IEPA loan repayment reserve account	1,066,310	1,066,310
Total Cash and Investments	60,125,624	63,609,000
Less: Noncash equivalents	(52,067,000)	(61,867,000)
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 8,058,624</b>	<b>\$ 1,742,000</b>

See accompanying notes to financial statements.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of Lake County Public Works Department (department) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the department are described below.

### ***REPORTING ENTITY***

The department is a separate enterprise fund of Lake County, IL (county). The department is managed by a public works and transportation committee. The department provides water and sewerage service to customers and communities within the county.

The water and sewerage utility operate under rules and rates established by the public works and transportation committee.

### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

The department is presented as an enterprise fund of the county. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

### ***Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position***

#### ***Deposits and Investments***

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position*** (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the statements of revenues, expenses and changes in net position as increases or decreases in investment income. Market values may have changed significantly after year end.

### ***Receivables/Payables***

Transactions between the department and other funds of the county that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the department and other funds of the county are reported as due to/from other funds.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

### ***Materials and Supplies***

Materials and supplies are generally used for operation and maintenance of the systems, and work performed for contractual customers. The materials and supplies inventory is valued at the average cost method and charged to cost centers when used.

### ***Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

### ***Prepaid Assets***

This balance is comprised of a security deposit of \$10,000 from village of Round Lake Beach for the review of construction permit applications.

### ***Capital Assets***

Capital assets are generally defined by the department as assets with an initial, individual cost of more than \$5,000 for moveable property, \$200,000 for infrastructure, and \$75,000 for all other assets, and an estimated useful life in excess of one year.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (cont.)******Capital Assets (cont.)***

Capital assets of the department are recorded at cost or the estimated acquisition value at the time of contribution to the department. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets both tangible and intangible used in operations are either depreciated or amortized using the straight-line method over the following useful lives unless they are inexhaustible:

	Years
Buildings and Other Improvements	25 – 40
Improvements Other Than Buildings	
Water facilities	10 – 75
Sewerage facilities	10 – 75
Machinery and Equipment	4 – 25

***Pensions***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF or the “Fund”) and additions to/deductions from IMRF’s fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value. Details of the account are included in Note 8.

***Deferred Outflow of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Deferred outflows relate to the unearned revenues as described below as well as GASB Statement No. 68 pension liability. Details are included in Note 8.

***Unearned Revenues***

Unearned revenues consist of prepaid property taxes and taxes levied for fiscal year 2017. The department received property taxes related to Special Service Area No. 9 and No. 16 in advance from the respective property owners. The department will amortize the prepaid property taxes on a straight-line basis until 2028. At November 30, 2016 and 2015, the balance of prepaid property taxes was \$194,897 and \$369,621, respectively. At November 30, 2016, the balance of taxes levied for fiscal year 2017 was \$178,845. At November 30, 2015, the balance of taxes levied for fiscal year 2016 was \$178,845. In addition, as of November 30, 2016 and 2015, the department reported \$144,681 and \$181,290, respectively, of unearned revenue for the Special Service Area No. 16 project.

# **LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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### ***Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (cont.)***

#### ***Accrued Sick and Vacation***

Under terms of employment, employees earn vacation and sick leave in varying amounts which accumulate if not used.

Employees who are terminated or retire and are in good standing may receive payment for 50% of their accumulated sick leave bank in excess of 30 days to a maximum of 60 days. Reimbursements are paid at the employee's then current pay rate. The liability is paid out of the general operating revenues of the department.

Vacation time shall not exceed 330 hours unless carryover approval by the public works and transportation committee is obtained.

#### ***Long-Term Obligations***

Long-term debt and other obligations are reported as department liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Gains or losses on prior refunding are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

#### ***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. Deferred inflows relate to the GASB Statement No. 68 pension liability. Details are included in Note 8.

#### ***REVENUES AND EXPENSES***

The department distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a department's principal ongoing operations. The principal operating revenues of the department are charges to customers for sales and services. At year end, unbilled revenues are accrued based on estimates of the first billings in the subsequent year. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### **REVENUES AND EXPENSES (cont.)**

#### ***Capital Contributions***

Cash and capital assets are contributed to the department from customers, the county or external parties. The value of property contributed to the department is reported as revenues on the statements of revenues, expenses and changes in net position.

#### ***Capital Contributions – Connection Fees***

The department charges new customers a connection fee to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses and changes in net position.

#### ***Property Taxes***

Property taxes are levied and recorded as revenue as of the second Tuesday in November on property values assessed as of the same date. The tax levy is payable in two equal installments due June 1 and September 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

### **EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

The GASB has approved Statement No. 73 (*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*); Statement No. 74 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*); Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*); Statement No. 80 (*Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*); Statement No. 81 (*Irrevocable Split-Interest Agreements*); and Statement No. 81, (*Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*). When they become effective and if they are applicable, application of these standards may restate portions of these financial statements.

### **COMPARATIVE DATA**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## NOTE 2 – DEPOSITS AND INVESTMENTS

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Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit amounts.

The department may also maintain separate cash and investment accounts at the same financial institutions utilized by the county. Federal depository insurance applies to all county accounts, and accordingly, the amount of insured funds is not determinable for the department alone. Please refer to the county's financial statements for categorization of custodial credit risk on all county accounts.

### Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the department's deposits may not be returned to the department.

The department maintains certain deposits at the same institutions as the county. The custodial credit risk pertaining specifically to the department's resources at these institutions cannot be determined individually for those accounts.

The following is a summary of the department's total deposit balances at these institutions.

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
First Midwest Bank	\$ 42,530,239	\$ 42,558,124	\$ 41,027,497	\$ 41,041,500
Inland Bank	1,000,000	1,000,000	2,000,000	2,000,000
MB Financial	3,067,000	3,067,000	4,067,000	4,067,000
Northern Trust	12,500,000	12,500,000	15,500,000	15,500,000
Private Bank	1,002,353	1,000,000	1,000,000	1,000,000
Totals	<u>\$ 60,099,592</u>	<u>\$ 60,125,124</u>	<u>\$ 63,594,497</u>	<u>\$ 63,608,500</u>

The county's current investment policy addresses custodial credit risk. The county's investment policy states that it will not maintain funds in any financial institution that is not a member of the FDIC or National Credit Union Association Systems (NCUA). Furthermore, the county will not maintain funds in any financial institutions that do not collateralize all funds in excess of the FDIC or NCUA insurance limits. Refer to the county financial statements for additional details.

### Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.



**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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**NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)**

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**Investments (cont.)**

At November 30, 2016 and 2015, the department had no investments exposed custodial credit risk.

The county's investment policy addresses this risk by stating that U.S. Government agency obligations which have a liquid market and determinable market value are acceptable investments.

***Interest Rate Risk***

As of November 30, 2016 or 2015, the department had no investments exposed to interest rate risk.

The county's investment policy addresses this risk by stating that U.S. Government agency obligations which have a liquid market and determinable market value are acceptable investments.

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**NOTE 3 – INTER-FUND RECEIVABLES/PAYABLES AND TRANSFERS**

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The following is a schedule of inter-fund balances as of November 30, 2016 and 2015:

Due To	Due From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
General Fund	Waterworks and Sewerage Fund	\$ -		\$ 17,183	Operations

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**NOTE 4 – RESTRICTED ASSETS**

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***SERIES A OF 2006, 2010, AND 2016:***

All revenues of the entire combined system are reserved to meet the requirements of the bond ordinance. The ordinances authorizing the issuance of series revenue bonds require separate accounts be maintained and designated as follows:

1. Operation account
2. Bond interest account
3. Bond fund account
4. Bond reserve account
5. Depreciation, extension and improvement account
6. Reserve for construction account

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2016 and 2015

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### NOTE 4 – RESTRICTED ASSETS (cont.)

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Quarterly cash transfers are required on or before the 15<sup>th</sup> day of each quarter ending February, May, August and November in the following order:

Operation account	An amount sufficient to provide (1) a sum on hand equal to one-fourth of the amount of the operating expenses as stated in the annual budget, and (2) an operating reserve in an amount certified from time to time by the consulting engineer as the reasonable amount necessary for 45 days' cost of operation, maintenance, and ordinary current repairs of the system.
Bond interest account	An amount, together with any other monies then on deposit in the account, sufficient to pay the amount of interest becoming due on the next interest date.
Bond fund account	An amount, together with any other monies then on deposit in the account, sufficient to pay the amount of interest becoming due on the next interest date.
Bond reserve account	Quarterly deposits of \$40,000 until the maximum debt service is reached, or such higher amount as the County Board may designate from time to time.
Depreciation, extension, and improvement account	Quarterly deposits of \$150,000 or such higher amounts as the County Board may designate from time to time. \$600,000 and \$10,000,000 in deposits were made to this account in fiscal years 2016 and 2015, respectively.
Reserve for construction account	All monies deposited in a construction account shall be applied to the cost of construction, improvements, or additions of the water and sewer systems.

#### ***SERIES A OF 2006, 2010, AND 2016:***

Funds accumulated in the bond fund are comprised of the bond interest account, bond fund account, and bond reserve account and shall be used solely for the purpose of paying the principal, redemption price, and interest on the bonds, and for retiring such bonds prior to maturity.

Funds accumulated in the bond reserve account shall be used to make up any deficiency in the interest account or bond fund account. If, at any time, the amounts held in the bond reserve account exceed the aggregate debt service requirement for the bonds of all series then outstanding, such excess shall be transferred to the surplus account.

Funds accumulated in the surplus account shall be used to make up any deficiency in any reserve account. Any excess funds may be used in accordance with County Board designation.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## NOTE 4 – RESTRICTED ASSETS (cont.)

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### ***WATER AND SEWER SYSTEM SUBORDINATE REVENUE BONDS, SERIES S-1 AND S-2 OF 2005 AND S OF 2009***

The ordinance authorizing the subordinate issue of bonds created separate accounts to be designated as follows:

- > Subordinate interest account
- > Subordinate bond account
- > Subordinate reserve account

Cash transfers shall be made to the subordinate accounts after the required cash transfers to accounts 1 through 6 for the series revenue bonds have been made, in the following order:

Subordinate interest account	On the 15th day of February, May, August, and November, an amount at least equal to the interest becoming due on the Series S-1, S-2 of 2005 bonds and S of 2009 on the next succeeding interest payment date. All monies in the account shall be used only for the purpose of paying interest on the Series S-1, S-2 of 2005 and S of 2009 bonds.
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Subordinate reserve account	Annual deposits no later than November 25 in an amount sufficient to provide for portions of the maximum annual debt service as specified in the ordinance. All funds in the subordinate reserve account shall be retained and used for the following purposes:
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1. For the payment of interest on, and principal of, Series S-1, S-2 of 2005 and S of 2009 bonds, whenever there are insufficient funds in the subordinate interest account and in the subordinate bond account for that purpose, or
2. For calling and redeeming Series S-1 and S-2 of 2005 bonds prior to their maturity, or for the purchase thereof on the open market, at not more than par and accrued interest to the date of redemption or purchase.

### ***THIRD LIEN REVENUE BONDS IEPA'S CLEAN WATER REVOLVING LOAN SERIES L17-4964 AND L17-5013***

The ordinance authorizing the third lien issue of bonds created separate accounts to be designated as follows

Third lien bond and interest account	After provision has been made for deposits or credits to all funds and accounts as set forth in the prior lien ordinances, monies shall be deposited or credited to the third lien bond and interest account. All monies in the account shall be used only for the purpose of paying interest on and principal of outstanding third lien bonds when due.
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# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## NOTE 4 – RESTRICTED ASSETS (cont.)

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### ***THIRD LIEN REVENUE BONDS IEPA'S CLEAN WATER REVOLVING LOAN SERIES L 17-4964 AND L 17-5013*** (cont.)

Third lien bond reserve account

After completion of a final repayment schedule for each series third lien bond, a deposit shall be made to the third lien bond reserve account, and held in cash or investments, within each fiscal year the sum of one-fifth times one-half of maximum annual debt service on such bonds until the credit balance of said account accumulates to one-half said maximum annual debt service on such bonds.

### ***RESTRICTED NET POSITION***

The following calculation supports the amount of restricted net position:

	2016	2015
Restricted Assets		
Bond interest	\$ 416,226	\$ 416,226
Bond fund	1,425,401	1,425,401
Bond reserves	3,787,425	5,271,203
Third Lien IEPA Loan Repayment reserve	1,066,310	1,066,310
Depreciation, extension, and improvement	24,616,066	24,616,066
Construction	195,241	244,644
Subordinated Ordinance	281,075	289,882
Total Restricted Assets	<u>31,787,744</u>	<u>33,329,732</u>
Less: Restricted Assets Not Funded by Revenues		
Construction	(195,241)	(244,644)
Current Liabilities Payable From Restricted Assets	(1,844,358)	(982,382)
Non-Current Liabilities Payable From Restricted Assets	<u>(238,132)</u>	<u>-</u>
Total Restricted Net Position as Calculated	<u>\$ 29,510,013</u>	<u>\$ 32,102,706</u>

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

## **NOTE 5 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended November 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,577,013	\$ -	\$ -	\$ 2,577,013
Intangible Assets	668,177	-	-	668,177
Construction in progress	21,778,274	26,044,711	(15,548,773)	32,274,212
Total Capital Assets Not Being Depreciated	25,023,464	26,044,711	(15,548,773)	35,519,402
Capital assets being depreciated				
Buildings and other improvements	78,159,807	-	-	78,159,807
Improvements other than buildings				
Water facilities	81,029,469	-	(816,152)	80,213,317
Sewer facilities	194,759,153	-	(2,415,873)	192,343,280
Machinery and equipment	18,443,050	-	(319,577)	18,123,473
Completed construction not classified	-	15,384,868	-	15,384,868
Total Capital Assets Being Depreciated	372,391,479	15,384,868	(3,551,602)	384,224,745
Total Capital Assets	397,414,943	41,429,579	(19,100,375)	419,744,147
Less: Accumulated depreciation for				
buildings and other improvements	(38,530,396)	(2,048,517)	-	(40,578,913)
Improvements other than buildings				
Water facilities	(27,613,564)	(1,264,220)	816,152	(28,061,632)
Sewer facilities	(71,510,967)	(4,209,993)	2,415,873	(73,305,087)
Machinery and equipment	(7,571,739)	(1,047,965)	319,577	(8,300,127)
Completed construction not classified	-	(232,776)	-	(232,776)
Total Accumulated Depreciation	(145,226,666)	(8,803,471)	3,551,602	(150,478,535)
Net Capital Assets	<u>\$ 252,188,277</u>			<u>\$ 269,265,612</u>

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

## **NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)**

Capital asset activity for the year ended November 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,577,013	\$ -	\$ -	\$ 2,577,013
Intangible Assets	668,177	-	-	668,177
Construction in progress	14,187,090	18,098,888	(10,507,704)	21,778,274
Total Capital Assets Not Being Depreciated	<u>17,432,280</u>	<u>18,098,888</u>	<u>(10,507,704)</u>	<u>25,023,464</u>
Capital assets being depreciated				
Buildings and other improvements	78,159,807	-	-	78,159,807
Improvements other than buildings				
Water facilities	80,928,694	100,775	-	81,029,469
Sewer facilities	181,412,672	13,346,481	-	194,759,153
Machinery and equipment	9,498,169	9,107,419	(162,538)	18,443,050
Total Capital Assets Being Depreciated	<u>349,999,342</u>	<u>22,554,675</u>	<u>(162,538)</u>	<u>372,391,479</u>
Total Capital Assets	<u>367,431,622</u>	<u>40,653,563</u>	<u>(10,670,242)</u>	<u>397,414,943</u>
Less: Accumulated depreciation for				
buildings and other improvements	(36,481,879)	(2,048,517)	-	(38,530,396)
Improvements other than buildings				
Water facilities	(26,337,460)	(1,276,104)	-	(27,613,564)
Sewer facilities	(64,898,039)	(6,612,928)	-	(71,510,967)
Machinery and equipment	(6,843,491)	(890,786)	162,538	(7,571,739)
Total Accumulated Depreciation	<u>(134,560,869)</u>	<u>(10,828,335)</u>	<u>162,538</u>	<u>(145,226,666)</u>
Net Capital Assets	<u>\$ 232,870,753</u>			<u>\$ 252,188,277</u>

In fiscal 2015, the increases to accumulated depreciation include \$2,557,068 related to existing assets transferred to the department.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

## **NOTE 6 – LONG-TERM OBLIGATIONS**

### ***REVENUE BONDS PAYABLE***

<u>Bond</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 11/30/16</u>
2005 S-1	Connection charges to Central Lake County JAWA	2024	3.75 - 4.50%	\$ 1,000,000	\$ 500,000
2005 S-2	Refund the outstanding Series A97S bonds	2017	5.20 - 5.50%	1,000,000	105,000
2006 A	Water and Sewer System revenue refunding bonds	2017	4.00%	6,700,000	805,000
2006 B	Crossover refunding	2021	4.25 - 4.50%	17,170,000	-
2009 S	Hawthorn Woods/Glenshire Water Project	2039	2.70 - 6.60%	1,220,000	1,055,000
2010A	Various Capital Improvement Water/Sewer Projects	2035	2.00 - 5.45%	20,000,000	19,505,000
2016A	Water and Sewer System revenue refunding bonds	2021	3.00 - 5.00%	10,025,000	9,825,000
IEPA L17- 4964	Northwest Regional I&I Excess Flow Facility Construction	2035	1.995%	6,197,681	6,128,883
IEPA L17- 5013	Des Plain River WRF Renovation Project	2035	2.210%	<u>17,060,500</u>	<u>17,060,500</u>
<b>TOTAL REVENUE BONDS</b>				<b><u>\$ 80,373,181</u></b>	<b><u>\$ 54,984,383</u></b>

Outstanding revenue bonds at November 30, 2016 consist of \$30,135,000 of series ordinance revenue bonds due serially December 1, 2016 through 2035, \$1,660,000 of subordinate revenue bonds due serially December 1, 2016 through 2039 and \$23,189,383 of third lien revenue bonds due semi-annually June 14, 2017 through December 14, 2037. Annual interest rates vary between 2.00% and 5.65% for the series revenue bonds, vary between 2.70% and 6.60% for the subordinate bonds, and vary between 1.9950% and 2.2100% for the third lien revenue bonds.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

## **NOTE 6 – LONG-TERM OBLIGATIONS (cont.)**

### **REVENUE BONDS PAYABLE (cont.)**

#### **IEPA SERIES EXCESS FLOW IMPROVEMENTS PROJECT BONDS**

On October 14, 2014 the County Board authorized a loan agreement with the Illinois Environmental Protection Agency (IEPA) in the amount of \$6,348,838 for the construction of the Round Lake Sanitary District Excess Flow Improvements Project. IEPA offered to make this loan from the Clean Water Revolving Funds approved for the amount up to and not to exceed \$6,348,838, at an annual fixed loan rate of 1.995%, a repayment period of 20 years, and required to make semi-annual repayments. At November 30, 2016 \$6,128,883 had been advanced and is outstanding.

On October 21, 2015 the County Board has authorized a loan agreement with the Illinois Environmental Protection Agency (IEPA) in the amount of \$32,000,000 for the renovation of the Des Plaines River WRF Project. IEPA offered to make this loan from the Clean Water Revolving Funds approved for the amount up to and not to exceed \$32,000,000, at an annual fixed loan rate of 2.210%, a repayment period of 20 years, and required to make semi-annual repayments. At November 30, 2016 \$17,060,500 had been advanced and is outstanding.

Aggregate principal payments applicable to the bonds outstanding are:

Year Ending November 30	Principal	Interest	Total
2017	\$ 2,746,038	\$ 2,069,160	\$ 4,815,198
2018	3,352,321	1,965,947	5,318,268
2019	3,407,907	1,829,484	5,237,391
2020	3,588,939	1,691,574	5,280,513
2021	3,705,426	1,545,171	5,250,597
2022 - 2026	10,891,085	6,238,829	17,129,914
2027 - 2031	12,002,542	4,307,114	16,309,656
2032 - 2036	14,047,426	1,689,307	15,736,733
2037 - 2039	1,242,699	49,774	1,292,473
Totals	<u>\$ 54,984,383</u>	<u>\$ 21,386,360</u>	<u>\$ 76,370,743</u>

The Series A 2010 Various Capital Projects debt was issued under the taxable municipal debt Build America Bond Program (BABs). The department's annual interest expense for these bonds is shown gross and will be reduced by a 35% federal interest subsidy provided by the federal government. However, as a result of the Sequestration Transparency Act of 2012, the IRS payment for refundable credit payment has been reduced to 32%.



# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

## **NOTE 6 – LONG-TERM OBLIGATIONS (cont.)**

### **REVENUE BONDS PAYABLE (cont.)**

#### **IEPA SERIES EXCESS FLOW IMPROVEMENTS PROJECT BONDS (cont.)**

The county established Special Service Area No. 9 on November 10, 1994. The Special Service Area will finance a substantial portion of a sewage treatment facility and related system improvements in the area. Allocation of \$21 million in estimated costs was made on the basis of population equivalents. Current plans call for using property taxes generated from the area to cover debt service of future financings. The current resources have come from prepayment of the taxes by certain property holders and from the 2003 tax levy on other properties in the area.

On October 13, 2016, bonds in the amount of \$10,025,000 were issued with an average interest rate of 3% - 5% to refund \$12,315,000 of outstanding bonds with an average rate of 4%. The net proceeds in addition to a cash transfer were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$14,251,341 through 2021. The cash flow requirements on the new bonds are \$11,638,283 from 2016 through 2021. The current refunding resulted in an economic gain of \$996,426.

#### **CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended November 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue Bonds					
Series ordinance	\$ 35,315,000	\$ 10,025,000	\$ 15,205,000	\$ 30,135,000	\$ 2,305,000
Subordinated series	1,845,000	-	185,000	1,660,000	190,000
Third Lien IEPA	4,299,586	18,958,595	68,798	23,189,383	251,038*
Unamortized					
Bond premium	154,392	1,216,692	138,201	1,232,883	37,821
Total Bonds Payable	41,613,978	30,200,287	15,596,999	56,217,266	2,783,859
Accrued sick leave	370,912	380,953	370,912	380,953	-
Interest Payable	-	238,132	-	238,132	-
Net pension liability	1,251,587	2,686,781	-	3,938,368	-
OPEB obligation	797,421	76,274	41,535	832,160	-
Long-Term Liabilities	<u>\$ 44,033,898</u>	<u>\$ 33,582,427</u>	<u>\$ 16,009,446</u>	<u>\$ 61,606,879</u>	<u>\$ 2,783,859</u>

\*Estimate – IEPA will finalize when project is complete

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

**NOTE 6 – LONG-TERM OBLIGATIONS (cont.)**

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

Long-term liability activity for the year ended November 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue Bonds					
Series ordinance	\$ 37,885,000	\$ -	\$ 2,570,000	\$ 35,315,000	\$ 2,690,000
Subordinated series	2,020,000	-	175,000	1,845,000	185,000
Third Lien IEPA	-	4,299,586	-	4,299,586	59,450
Unamortized					
Bond premium	188,997	-	34,605	154,392	34,605
Total Bonds Payable	40,093,997	4,299,586	2,779,605	41,613,978	2,969,055
Accrued sick leave	361,537	370,912	361,537	370,912	-
Net pension liability	-	1,251,587	-	1,251,587	-
OPEB obligation	701,106	128,515	32,000	797,421	-
Long-Term Liabilities	<u>\$ 41,156,640</u>	<u>\$ 6,050,600</u>	<u>\$ 3,173,342</u>	<u>\$ 44,033,898</u>	<u>\$ 2,969,055</u>

***DEBT COVERAGE***

Revenue, as defined by the Water and Sewer System Revenue Bond - Basic Ordinance, includes sources of operating and non-operating revenues, tax levy, and interest income. The 2016 and 2015 debt coverage is as follows:

	2016	2015
Operating revenues	\$ 38,475,219	\$ 37,850,577
Connection fees	1,844,862	4,409,114
Non-operating income – interest earned	174,011	161,698
– interest rate subsidy	339,999	340,866
– property taxes	360,059	352,821
Revenue as defined by ordinance	41,194,150	43,115,076
Expenses (less depreciation)	(32,492,876)	(30,125,431)
Net Revenue Available Before Debt Service (as Defined in the Series Bond Ordinance)	<u>\$ 8,701,274</u>	<u>\$ 12,989,645</u>
Debt Service Requirements – current year		
Serial bond deposits	\$ 2,875,000	\$ 2,745,000
Interest	1,818,290	1,889,390
Total Debt Service Requirements	<u>\$ 4,693,290</u>	<u>\$ 4,634,390</u>
Revenue Bond Coverage as Calculated	<u>1.85</u>	<u>2.80</u>
Revenue Bond Coverage Required by Bond Ordinance	<u>1.50</u>	<u>1.50</u>

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

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### *DEBT COVERAGE* (cont.)

In addition to the above calculation, the bond ordinance covenants state the ratio of net revenue derived from charges for services, excluding connection charges, shall be at all times not less than 1.25 of the principal and interest on all outstanding bonds payable during the year. For fiscal years 2016 and 2015, this ratio was 1.46 and 1.85, respectively. Hence, for fiscal years 2016 and 2015, the coverage was met.

Annual principal and interest payments on the bonds are expected to require 11% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$76.3 million. Principal and interest paid for 2016 and 2015 were \$4,693,290 and \$4,634,390, respectively.

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## NOTE 7 – NET POSITION

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GASB No. 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital position, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the department's policy to use restricted resources first, then unrestricted resources as they are needed.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## NOTE 7 – NET POSITION (cont.)

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The following calculation supports the net investment in capital assets:

	2016	2015
Capital assets	\$ 387,469,935	\$ 375,636,669
Accumulated depreciation	(150,478,535)	(145,226,666)
Construction work in progress	32,274,212	21,778,274
Sub-Totals	<u>269,265,612</u>	<u>252,188,277</u>
Less: Capital Related Debt		
Current portion of capital related long-term debt	2,440,000	2,884,450
Long-term portion of capital related long-term debt	52,044,383	38,025,136
Unamortized bond premium	1,232,883	154,392
Sub-Totals	<u>55,717,266</u>	<u>41,063,978</u>
Add: Unspent Debt Proceeds		
Construction account	195,241	244,644
Sub-Totals	<u>195,241</u>	<u>244,644</u>
Net Investment in Capital Assets	<u>\$ 213,743,587</u>	<u>\$ 211,368,943</u>

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## NOTE 8 – EMPLOYEES RETIREMENT SYSTEM

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The utility implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 6*, effective December 1, 2014. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015.

All full-time county employees participate in the Illinois Municipal Retirement Fund (IMRF). The IMRF provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. All permanent employees expected to work over 600 hours a year are eligible to participate in the IMRF. Employees participating in the IMRF were required by statute to contribute 4.5% of their annual covered salary in calendar years 2016, 2015, and 2014. The employer rate for calendar years 2016, 2015, and 2014 were 11.34%, 10.76%, and 10.76%, respectively. All employer contributions are made by the county with a portion of the cost being allocated to the department. The actuarial valuation of the plan is computed for the county as a whole and; therefore, it is impractical to determine the Lake County Public Works Department, Waterworks, and Sewerage Systems Fund's proportionate share.

IMRF is established under statutes adopted by the Illinois General Assembly, and is governed by a Board of eight Trustees who must also be participating members and one Trustee who must be receiving an IMRF annuity. The IMRF issues an annual financial report which may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, IL 60523-2337, or by visiting the IMRF website at <http://www.imrf.org>.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2016 and 2015

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### NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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At November 30, 2016 and 2015, the utility recognized pension expense of \$ 1,404,062 and \$707,631, respectively, and reported net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions as follows:

November 30,	Employer Contributions Fiscal Year	Net pension liability	Deferred Outflows	Deferred Inflows
2016	\$ 663,346	\$ 3,938,368	\$ 3,608,969	\$ 112,374
2015	691,700	1,251,587	1,792,765	160,889

Further details regarding the county's entire commitment of the fund can be found in the Lake County, Illinois financial statements.

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### NOTE 9 – COMMITMENTS AND CONTINGENCIES

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#### *LONG-TERM CONTRACTS – GENERAL*

At November 30, 2016, the department had commitments under long-term contracts for the following:

On July 15, 2010, the department entered into a 20 year contract with the Village of Fox Lake for the treatment and disposal of sanitary and industrial wastes which the county system has collected, received and transported to the Village of Fox Lake treatment plant.

On October 13, 2015, the department entered into a 10 year contract renewal by mutual agreement for an additional 10 years with the North Shore Water Reclamation District (NSWRD) effective November 1, 2015. The County will deliver to the NSWRD's Gurnee Plant all waste that the county collects from the county's Northeast Central Service Area. Future permit and connection fees are now the responsibility of the applicant rather than the County. This contract will expire on October 31, 2025 unless extended.

On March 22, 1989, the county entered into a 40 year agreement to become a charter member of the Central Lake County Joint Action Water Agency. The agency agreed to supply water to four county water systems and the county agreed to purchase water exclusively from the agency.

On May 12, 2009, the department entered into a 20 year agreement with the Village of Hawthorn Woods and Aqua Illinois, Inc. to provide and deliver potable water to the Hawthorn Woods – Glenshire Subdivision. On June 14, 2011, the department entered into a 20 year agreement with the Village of Hawthorn Woods and Aqua Illinois, Inc. to provide and deliver potable water to the department's Forest Lake Water System.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## NOTE 9 – COMMITMENTS AND CONTINGENCIES (cont.)

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### ***CLAIMS AND JUDGMENTS***

The County and North Shore Water Reclamation District (NSWRD) were able to reach a mutually agreeable resolution to the outstanding issues that occurred after the 1994 agreement expired in August 2013 eliminating the necessity for litigation. On October 13, 2015, the department entered into a new 10 year contract renewable by mutual agreement for an additional 10 years with the NSWRD effective November 1, 2015.

The County will deliver to the NSWRD's Gurnee Plant all waste that the county collects from the county's Northeast Central Service Area. Future permit and connection fees are now the responsibility of the applicant rather than the County. This contract will expire on October 31, 2025 unless extended.

The Public Works Department employs 48 members of the International Union of Operating Engineers, Local 150 that are governed by a Collective Bargaining Agreement. That agreement expired on November 30, 2012. On March 10, 2015 the Lake County Board passed a Resolution authorizing the execution of a Collective Bargaining Agreement (CBA) with International Union of Operating Engineers, Local 150 as the exclusive representative of the Public Works Employees Bargaining Unit of Lake County. The CBA shall be effective from December 1, 2012 through November 30, 2016. Under the award, wages will increase 2.75 percent on December 1, 2012, 2.85 percent on December 1, 2013, and 2.75 percent on December 1, 2014. Effective December 1, 2015, members of this collective bargaining unit will receive the same general wage increase as non-union employees. Effective December 1, 2013, employees will be slotted in a salary level on the Performance Wage Scale/Progress Matrix based upon position and certifications. Future advancement through the wage matrix will be based upon training, attaining certifications, and performance evaluation scores.

### ***OPEN CONTRACTS***

The department has active construction projects as of November 30, 2016. The projects include construction of additional wastewater treatment facilities, water main replacement, and interceptor sewer relining projects. At year end, the department's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Building and structures	\$ 3,196,049	\$ 2,905,509
Interceptor sewer improvements	1,048,370	1,538,665
Wastewater reclamation facilities improvements	34,417,186	12,089,482
Water and sewer main replacement	107,449	26,448
Totals	<u>\$ 38,769,054</u>	<u>\$ 16,560,104</u>

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## **NOTE 10 – SELF INSURANCE**

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The department is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county is self-insured for all of these risks. These activities are accounted for and financed by the county risk management special revenue fund and health, life, and dental internal service fund. Refer to the county statements for added details.

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## **NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)**

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Being an enterprise fund of the county, the Department of Public Works is liable for its allocated share of all health insurance expenses for the employees. Prior to 2009, the department has neither contributed nor recognized the cost of OPEB in periods when the related services are received, due to not measuring the OPEB obligation. However, since fiscal year 2009, the department, as part of the county's implementation of GASB Statement No 45 is able to recognize, measure, and display OPEB expenses and related liabilities for each fiscal year.

### ***COUNTY EMPLOYEES***

The county's group health insurance plan is a single-employer self-insured health care plan administered by the county. The Plan provides limited health care coverage at 100% of the active premium rate. The State of Illinois requires IMRF employers who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees.

Therefore an implicit rate subsidy exists for retirees (that is, the difference between the premium rate charged to retirees for the benefit and the estimated rate that would be applicable to those retirees if that benefit were acquired for them as a separate group) resulting from the participation in postemployment healthcare plans that cover both active employees and retirees. The plan operates on a pay-as-you-go funding basis. No assets are accumulated or dedicated to funding the retiree health insurance benefits.

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended November 30, 2016 and 2015

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## **NOTE 11 – Other Postemployment Benefits than Pensions (OPEB) (cont.)**

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### ***County Employees*** (cont.)

The county's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the county's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the total county's net OPEB obligation to the Retiree Health Plan:

Annual required contribution (ARC)	\$ 1,964,000
Interest on net OPEB obligation	830,000
Adjustment to ARC	<u>(792,000)</u>
Annual OPEB cost	2,002,000
Contributions made	<u>(1,088,000)</u>
Increase in net OPEB obligation	914,000
Net OPEB Obligation – Beginning of Year	<u>20,745,000</u>
Net OPEB Obligation – End of Year	<u><u>\$ 21,659,000</u></u>

The county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contribution	Net OPEB Obligation
11/30/2016	\$ 2,002,000	54.3%	\$ 21,659,000
11/30/2015	3,268,000	25.3%	20,745,000
11/30/2014	3,087,000	32.4%	18,296,000

The funded status of the plan as of December 1, 2015, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 21,755,000
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 21,755,000</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 147,131,683
UAAL as a percentage of covered payroll	14.8%



# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2016 and 2015

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### NOTE 11 – Other Postemployment Benefits than Pensions (OPEB) (cont.)

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#### *County Employees* (cont.)

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

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

In the December 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% after 15 years. Both rates include a 3% salary inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of pay, including interest on an open basis. The amortization period at November 30, 2016, was 30 years.

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### NOTE 12 – Cumulative Effect of a Change in Accounting Principle

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The department adopted GASB Statement No. 68 effective December 1, 2014. The cumulative effect of implementation is reflected as a change in net position as follows:

Net pension liability (asset) December 1, 2014	\$ 245,303
Deferred outflows December 1, 2014	<u>(641,523)</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ (396,220)</u>

Additional information required for retroactive implementation was not provided by the pension plan.

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### NOTE 13 – Subsequent Events

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The department evaluated subsequent events through the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

## REQUIRED SUPPLEMENTAL INFORMATION

# LAKE COUNTY, ILLINOIS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)

For the Year Ended November 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/1/2015	\$ -	\$ 21,755,000	\$ 21,755,000	0.00%	\$ 147,131,683	14.79%
12/1/2014	-	34,142,000	34,142,000	0.00%	139,361,000	24.50%
12/1/2013	-	31,963,955	31,963,955	0.00%	125,558,911	25.46%
12/1/2012	-	30,511,959	30,511,959	0.00%	124,979,909	24.41%
12/1/2011	-	29,659,000	29,659,000	0.00%	119,608,000	24.80%
12/1/2010	-	27,362,000	27,362,000	0.00%	132,341,000	20.70%
12/1/2009	-	46,157,000	46,157,000	0.00%	153,979,000	30.00%
12/1/2008	-	47,307,231	47,307,231	0.00%	144,383,846	32.76%
12/1/2007	-	43,576,000	43,576,000	0.00%	138,830,621	31.40%

See independent auditors' report.

## **SUPPLEMENTAL INFORMATION**

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

CAPITAL ASSETS  
For the Year Ended November 30, 2016

	Balance 11/30/2015	Additions	Retirements	Balance 11/30/2016
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>				
Land	\$ 2,577,013	\$ -	\$ -	\$ 2,577,013
Intangible Assets	668,177	-	-	668,177
Total Capital Assets not being Depreciated	3,245,190	-	-	3,245,190
<b>BUILDINGS AND IMPROVEMENTS</b>	78,159,807	-	-	78,159,807
<b>IMPROVEMENTS OTHER THAN BUILDINGS</b>				
Water Facilities				
Transmission and distribution mains	63,404,156	-	-	63,404,156
Drinking water reservoir and Elevated water tanks	10,291,704	-	-	10,291,704
Land improvements	1,720,386	-	-	1,720,386
Wells	5,613,223	-	816,152	4,797,071
Total Water Facilities	81,029,469	-	816,152	80,213,317
Sewer Facilities				
Trunk and lateral sewers	88,280,118	-	-	88,280,118
Lift stations	16,066,315	-	-	16,066,315
Retention lagoon	491,780	-	-	491,780
Treatment equipment	47,537,845	-	2,415,873	45,121,972
Interceptor sewers	42,383,095	-	-	42,383,095
Total Sewer Facilities	194,759,153	-	2,415,873	192,343,280
Total Improvements Other Than Buildings	275,788,622	-	3,232,025	272,556,597
<b>MACHINERY AND EQUIPMENT</b>				
Pumping equipment	4,636,288	-	-	4,636,288
Laboratory equipment	453,097	-	-	453,097
Trucks and trailers	3,327,010	-	319,577	3,007,433
Other	10,026,655	-	-	10,026,655
Total Machinery and Equipment	18,443,050	-	319,577	18,123,473
<b>COMPLETED CONSTRUCTION NOT CLASSIFIED</b>	-	15,384,868	-	15,384,868
TOTAL PLANT IN SERVICE	\$ 375,636,669	\$ 15,384,868	\$ 3,551,602	\$ 387,469,935

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

ACCUMULATED DEPRECIATION  
For the Year Ended November 30, 2016

	Balance 11/30/2015	Additions	Retirements	Balance 11/30/2016
<b>LAND</b>	\$ -	\$ -	\$ -	\$ -
<b>BUILDINGS AND IMPROVEMENTS</b>	(38,530,396)	(2,048,517)	-	(40,578,913)
<b>IMPROVEMENTS OTHER THAN BUILDINGS</b>				
Water Facilities				
Transmission and distribution mains	(17,600,817)	(845,834)	-	(18,446,651)
Drinking water reservoir and Elevated water tanks	(5,856,004)	(220,477)	-	(6,076,481)
Land improvements	(366,120)	(37,761)	-	(403,881)
Wells	(3,790,622)	(160,148)	816,152	(3,134,618)
Total Water Facilities	(27,613,563)	(1,264,220)	816,152	(28,061,631)
Sewer Facilities				
Trunk and lateral sewers	(27,015,465)	(1,257,756)	-	(28,273,221)
Lift station	(8,418,475)	(632,390)	-	(9,050,865)
Retention lagoon	(378,217)	(15,168)	-	(393,385)
Treatment equipment	(22,325,933)	(1,701,719)	2,415,873	(21,611,779)
Interceptor sewers	(13,372,878)	(602,960)	-	(13,975,838)
Total Sewer Facilities	(71,510,968)	(4,209,993)	2,415,873	(73,305,088)
Total Improvements Other Than Buildings	(99,124,531)	(5,474,213)	3,232,025	(101,366,719)
<b>MACHINERY AND EQUIPMENT</b>				
Pumping equipment	(3,196,800)	(106,021)	-	(3,302,821)
Laboratory equipment	(353,241)	(47,936)	-	(401,177)
Trucks and trailers	(2,108,615)	(249,524)	319,577	(2,038,562)
Other	(1,913,083)	(644,484)	-	(2,557,567)
Total Machinery and Equipment	(7,571,739)	(1,047,965)	319,577	(8,300,127)
<b>COMPLETED CONSTRUCTION NOT CLASSIFIED</b>	-	(232,776)	-	(232,776)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	\$ (145,226,666)	\$ (8,803,471)	\$ 3,551,602	\$ (150,478,535)

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

## SERIES ORDINANCE SYSTEM COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS For the Year Ended November 30, 2016

	Operation Account	Series Ordinance	Reserved for Restricted Accounts			Combined Total
			Subordinate Ordinance	Third Lien Ordinance	Construction	
Cash balance, December 1, 2015	\$ 1,058,941	\$ 82,223	\$ 289,882	\$ 66,310	\$ 244,644	\$ 1,741,999
Receipts						
Bond proceeds	-	-	-	-	18,986,000	18,986,000
Water and sewer charges	44,625,924	-	-	-	-	44,625,924
Interest Income	128,172	-	-	-	-	128,172
Sale or redemption of investments	28,607,000	32,260,000	-	1,000,000	-	61,867,000
Contributions - Special Service Area #9 & 14	-	184,412	-	-	-	184,412
Contributions - Capital Improvements	-	-	-	-	-	-
Grants/Subsidies	339,999	92,369	-	-	-	432,368
Other	1,483,778	-	-	101,779	-	1,585,557
Total receipts	75,184,874	32,536,781	-	1,101,779	18,986,000	127,809,434
Disbursements						
Operating expenses	43,366,148	-	-	-	-	43,366,148
Purchase of investments	20,290,778	30,776,222	-	1,000,000	-	52,067,000
Principal due December 1, 2016	-	2,890,000	185,000	68,798	-	3,143,798
Interest	-	1,649,056	97,765	32,981	-	1,779,802
Transfers pursuant to bond ordinances	5,153,113	(3,484,791)	(282,765)	-	-	1,385,557
Other	-	-	-	-	-	-
Capital outlay expenditures	-	706,294	8,807	-	19,035,403	19,750,504
Total disbursements	68,810,039	32,536,781	8,807	1,101,779	19,035,403	121,492,809
Cash balance, November 30, 2016	\$ 7,433,776	\$ 82,223	\$ 281,075	\$ 66,310	\$ 195,241	\$ 8,058,624

# LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

## SERIES ORDINANCE SYSTEM OPERATION ACCOUNT SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS For the Year Ended November 30, 2016

	Operation Account		
	Revenue Account	Operation Account	Combined Total
Cash balance, December 1, 2015	\$ -	\$ 1,058,941	\$ 1,058,941
Receipts			
Water and sewer charges	44,625,924	-	44,625,924
Interest	128,172	-	128,172
Bond Proceeds	-	-	-
Grants/Subsidies	339,999	-	339,999
Transfers pursuant to bond ordinance	-	1,483,778	1,483,778
Sale or redemption of investments	-	28,607,000	28,607,000
Total receipts	45,094,095	30,090,778	75,184,874
Disbursements			
Operating expenses	-	43,366,148	43,366,148
Purchase of investments	-	20,290,778	20,290,778
Transfers pursuant to bond ordinance	45,094,095	(39,940,982)	5,153,113
Other	-	-	-
Total disbursements	45,094,095	23,715,943	68,810,039
Cash balance, November 30, 2016	\$ -	\$ 7,433,776	\$ 7,433,776



**LAKE COUNTY PUBLIC WORKS DEPARTMENT**  
WATERWORKS AND SEWERAGE SYSTEMS FUND

SERIES ORDINANCE SYSTEM RESERVED FOR RESTRICTED ACCOUNTS  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
For the Year Ended November 30, 2016

	Restricted Accounts									
	Series Ordinance									
	Interest Account	Bond Fund Accounts	Bond Reserve Account	Depreciation, Extension and Improvement Account	Combined Total	Subordinate Interest Account	Subordinate Bond Account	Subordinate Reserve Account	Combined Total	Third Lien Ordinance Interest/Principal Account
Cash balance, December 1, 2015	\$ 16,226	\$ 38,728	\$ 11,203	\$ 16,066	\$ 82,223	\$ -	\$ -	\$ 289,882	\$ 289,882	\$ 66,310
Receipts										
Surcharge fees	-	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Sale or redemption of investments	400,000	2,000,000	5,260,000	24,600,000	32,260,000	-	-	-	-	1,000,000
Contributions - Special Service Area #9 & 14		170,487	-	13,925	184,412	-	-	-	-	-
Transfers pursuant to bond ordinances	1,649,056	2,719,513	-	600,000	4,968,569	97,765	185,000	-	282,765	-
Grants/Subsidies	-	-	-	92,369	92,369	-	-	-	-	-
Total receipts	2,049,056	4,890,000	5,260,000	25,306,294	37,505,350	97,765	185,000	-	282,765	1,000,000
Disbursements										
Purchase of investments	400,000	2,000,000	3,776,222	24,600,000	30,776,222	-	-	-	-	1,000,000
Transfer pursuant to bond ordinances	-	-	1,483,778	-	1,483,778	-	-	-	-	-
Principal due December 1, 2016	-	2,890,000	-	-	2,890,000	-	185,000	-	185,000	-
Interest	1,649,056	-	-	-	1,649,056	97,765	-	-	97,765	-
Capital outlay expenditures	-	-	-	706,294	706,294	-	-	8,807	8,807	-
Total disbursements	2,049,056	4,890,000	5,260,000	25,306,294	37,505,350	97,765	185,000	8,807	291,572	1,000,000
Cash balance, November 30, 2016	\$ 16,226	\$ 38,728	\$ 11,203	\$ 16,066	\$ 82,223	\$ -	\$ -	\$ 281,075	\$ 281,075	\$ 66,310

**Lake County Public Works Department**  
Waterworks and Sewerage Systems Fund  
**SERIES ORDINANCE SYSTEM**  
**STATEMENT OF CHANGES IN NET POSITION - RESTRICTED**  
Year ended November 30, 2016

Business-type Activities-Enterprise Fund Accounts								
	Series Ordinance System					Subordinate Ordinance	Third Lien IEPA Loan Repayment Account	Net Position
	Interest Account	Bond Fund Account	Bond Reserve Account	Depreciation, Extension, and Improvement Account	Reserve for Construction Accounts	Total	Bond/ Interest Account	
Balance, December 1, 2015	\$ 416,226	\$ 1,425,401	\$ 5,271,203	\$ 24,616,066	\$ 244,644	\$ 289,882	\$ 1,066,310	\$ 33,329,732
Add (deduct)								
Transfers pursuant to bond ordinances	1,649,056	2,719,513	(1,483,778)	600,000	-	282,765	101,779	3,869,335
Property tax	-	170,487	-	13,925	-	-	-	184,412
Surcharges	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Bond Proceeds- Third Lien IEPA Series	-	-	-	-	18,986,000	-	-	18,986,000
Bond Premium	-	-	-	-	-	-	-	-
Bond discount/issuance cost	-	-	-	-	-	-	-	-
Capital Improvement Contribution	-	-	-	-	-	-	-	-
Grants	-	-	-	92,369	-	-	-	92,369
Others	-	-	-	-	-	-	-	-
Interest paid on bonds	(1,649,056)	-	-	-	-	(97,765)	(32,981)	(1,779,802)
Bond principal due December 1, 2016	-	(2,890,000)	-	-	-	(185,000)	(68,798)	(3,143,798)
Capital outlay expenditures	-	-	-	(706,294)	(19,035,403)	(8,807)	-	(19,750,504)
Balance, November 30, 2016	<u>\$ 416,226</u>	<u>\$ 1,425,401</u>	<u>\$ 3,787,425</u>	<u>\$ 24,616,066</u>	<u>\$ 195,241</u>	<u>\$ 281,075</u>	<u>\$ 1,066,310</u>	<u>\$ 31,787,744</u>
Less: Restricted Assets not funded by Revenues Construction Account								(195,241)
Current Liabilities Payable from Restricted Assets								(1,844,358)
Non-Current Liabilities Payable from Restricted Assets								(238,132)
Total Restricted Net Position								<u>29,510,013</u>

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

REVENUE BONDS PAYABLE  
For the Year Ended November 30, 2016

	Interest Rates (Percent)	Amount of Original Issue	Redemptions Through November 30, 2016	Bonds Outstanding November 30, 2016
Series 2005S-1	3.75 - 4.50%	\$ 1,000,000	\$ 500,000	\$ 500,000
Series 2005S-2	5.20 - 5.50%	1,000,000	895,000	105,000
2006A Refunding bonds	4.00%	6,700,000	5,895,000	805,000
2006B Crossover refunding bonds	4.25 - 4.50%	17,170,000	17,170,000	-
Series S of 2009	2.70 - 6.60%	1,220,000	165,000	1,055,000
Series A of 2010	2.00 - 5.45%	20,000,000	495,000	19,505,000
2016A Refunding bonds	3.00 - 5.00%	10,025,000	200,000	9,825,000
IEPA Third Lien Series L17- 4964	1.9950%	6,197,681	68,798	6,128,883
IEPA Third Lien Series L17- 5013	2.2100%	<u>17,060,500</u>	<u>-</u>	<u>17,060,500</u>
<b>TOTAL REVENUE BONDS</b>		<u><b>\$ 80,373,181</b></u>	<u><b>\$ 25,388,798</b></u>	<u><b>\$ 54,984,383</b></u>

Note - Interest on all bonds is payable semiannually in June and December except IEPA series include principal also.

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

SUMMARY OF REVENUE & IEPA BOND DEBT SERVICE REQUIREMENTS TO MATURITY - PRINCIPAL  
For the Year Ended November 30, 2016

Maturing as follows	Series S-2 of 2005	Series S-1 of 2005	Series 2006A	Series S of 2009	Series A of 2010	Series A of 2016	IEPA L17-4964*	IEPA L17-5013*	Total
<u>Year Ending November 30,</u>									
2017	\$ 105,000	\$ 55,000	\$ 805,000	\$ 30,000	\$ 175,000	\$ 1,325,000	\$ 251,038	\$ -	\$ 2,746,038
2018	-	55,000	-	30,000	200,000	2,115,000	265,570	686,751	3,352,321
2019	-	60,000	-	30,000	300,000	2,045,000	270,895	702,012	3,407,907
2020	-	60,000	-	35,000	350,000	2,150,000	276,326	717,613	3,588,939
2021	-	65,000	-	35,000	400,000	2,190,000	281,867	733,559	3,705,426
2022	-	65,000	-	35,000	1,080,000	-	287,517	749,861	2,217,378
2023	-	70,000	-	35,000	1,000,000	-	293,282	766,524	2,164,806
2024	-	70,000	-	40,000	1,000,000	-	299,163	783,558	2,192,721
2025	-	-	-	40,000	1,000,000	-	305,161	800,970	2,146,131
2026	-	-	-	40,000	1,000,000	-	311,279	818,770	2,170,049
2027	-	-	-	40,000	1,000,000	-	317,519	836,965	2,194,484
2028	-	-	-	45,000	1,000,000	-	323,886	855,564	2,224,450
2029	-	-	-	45,000	1,250,000	-	330,380	874,576	2,499,956
2030	-	-	-	45,000	1,250,000	-	337,004	894,011	2,526,015
2031	-	-	-	50,000	1,250,000	-	343,760	913,877	2,557,637
2032	-	-	-	50,000	1,500,000	-	350,653	934,186	2,834,839
2033	-	-	-	55,000	1,750,000	-	357,684	954,946	3,117,630
2034	-	-	-	55,000	2,000,000	-	364,854	976,166	3,396,020
2035	-	-	-	60,000	2,000,000	-	372,169	997,859	3,430,028
2036	-	-	-	60,000	-	-	188,876	1,020,033	1,268,909
2037	-	-	-	65,000	-	-	-	1,042,699	1,107,699
2038	-	-	-	65,000	-	-	-	-	65,000
2039	-	-	-	70,000	-	-	-	-	70,000
Totals	<u>\$ 105,000</u>	<u>\$ 500,000</u>	<u>\$ 805,000</u>	<u>\$ 1,055,000</u>	<u>\$ 19,505,000</u>	<u>\$ 9,825,000</u>	<u>\$ 6,128,883</u>	<u>\$ 17,060,500</u>	<u>\$ 54,984,383</u>

Note: \* Estimate-IEPA will finalize when project is complete

**LAKE COUNTY PUBLIC WORKS DEPARTMENT  
WATERWORKS AND SEWERAGE SYSTEMS FUND**

SUMMARY OF REVENUE BOND DEBT SERVICE REQUIREMENTS TO MATURITY - INTEREST  
For the Year Ended November 30, 2016

Maturing as follows	Series S-2 of 2005	Series S-1 of 2005	2006A Bonds	Series S of 2009	Series A of 2010	Series A of 2016	IEPA* L17-4964	IEPA* L17-5013	Total
<u>Year Ending November 30,</u>									
2017	\$ 4,200	\$ 21,350	\$ 32,200	\$ 64,635	\$ 972,225	\$ 478,000	\$ 119,513	\$ 377,037	\$ 2,069,160
2018	-	19,122	-	63,195	966,975	425,000	114,618	377,037	1,965,947
2019	-	16,865	-	61,695	960,375	319,250	109,439	361,860	1,829,484
2020	-	14,377	-	60,120	949,575	217,000	104,157	346,345	1,691,574
2021	-	11,858	-	58,283	936,275	109,500	98,769	330,486	1,545,171
2022	-	9,095	-	56,445	920,275	-	93,272	314,274	1,393,361
2023	-	6,300	-	54,450	874,375	-	87,666	297,703	1,320,494
2024	-	3,150	-	52,455	830,375	-	81,947	280,762	1,248,689
2025	-	-	-	50,175	784,875	-	76,113	263,446	1,174,609
2026	-	-	-	47,895	737,875	-	70,162	245,744	1,101,676
2027	-	-	-	45,495	689,375	-	64,092	227,649	1,026,611
2028	-	-	-	43,095	639,375	-	57,901	209,153	949,524
2029	-	-	-	40,395	587,875	-	51,585	190,245	870,100
2030	-	-	-	37,695	523,500	-	45,143	170,916	777,254
2031	-	-	-	34,770	459,125	-	38,571	151,159	683,625
2032	-	-	-	31,520	392,875	-	31,868	130,962	587,225
2033	-	-	-	28,270	313,375	-	25,030	110,317	476,992
2034	-	-	-	24,695	218,000	-	18,055	89,212	349,962
2035	-	-	-	21,120	109,000	-	10,940	67,639	208,699
2036	-	-	-	17,160	-	-	3,683	45,586	66,429
2037	-	-	-	13,200	-	-	-	23,044	36,244
2038	-	-	-	8,910	-	-	-	-	8,910
2039	-	-	-	4,620	-	-	-	-	4,620
Totals	\$ 4,200	\$ 102,117	\$ 32,200	\$ 920,293	\$ 12,865,700	\$ 1,548,750	\$ 1,302,524	\$ 4,610,576	\$ 21,386,360

Note: \* Estimate-IEPA will finalize when project is complete

REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Public Works Committee  
Lake County Public Works Department  
Waterworks and Sewerage Systems Fund  
Libertyville, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lake County Public Works Department, Waterworks and Sewerage Systems Fund (department) as of and for the year ended November 30, 2016, and the related note to the financial statements, and have issued our report thereon May 19, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Public Works Committee  
Lake County Public Works Department  
Waterworks and Sewerage Systems Fund

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the financial statements of the department are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
May 19, 2017