

## Long-Term Debt

As evidenced by the chart below, at the end of 2018, Lake County had outstanding debt in the governmental funds of \$187.2 million. For more detailed information on debt, please refer to Note 6 in the notes to the financial statements.

As of November 30, 2018, the enterprise fund had \$64.6 million in outstanding debt, including \$26.9 million of series ordinance revenue bonds and \$37.7 million in subordinate revenue bonds.

### Outstanding Debt General Obligation and Revenue Bonds (dollars are in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 187,241	\$ 193,577	\$ -	\$ -	\$ 187,241	\$ 193,577
Revenue bonds	-	-	64,613	66,329	64,613	66,329
<b>Total</b>	<b>\$ 187,241</b>	<b>\$ 193,577</b>	<b>\$ 64,613</b>	<b>\$ 66,329</b>	<b>\$ 251,854</b>	<b>\$ 259,906</b>

The County has a credit rating of AAA from Standard and Poor's and a credit rating of Aaa from Moody's Investment Services. The County has held both of these ratings since 2001.

## Economic Factors and Next year's Budget Highlights

- The annual average unemployment rate in 2018 was 4.1% in Lake County. The rate in the State of Illinois for the same time period was 4.4% and the U.S. rate was 3.7%.
- The 2018 EAV (which is used for the property tax collected in Fiscal Year 2019) was \$26,805,191,001. The last 10 years of EAV growth can be found in the Statistical Section.
- The FY2019 Adopted Budget totals \$525,874,787. Over the last several years, staffing levels were cut to directly align with workload levels and technology advancements and streamlined service have led to more efficient operations. Actual County expenditures will be significantly less, totaling \$448,299,712 million after removing dollars that are moved internally between County funds.
- Most County operations are funded in the Property Tax Operating budget. The budget for these funds totals \$329,401,793 for FY2019.
- The total levy recommended for FY2019 is \$165,731,304. This revenue sources makes up 32% of total revenue and is the County's most stable revenue source.
- The adopted Fiscal year 2019 budget aligns with the values, goals and strategies outlined in the County's Strategic Plan. The Strategic Plan has five overarching goals: enhancing economic opportunities, promoting a sustainable environment, building healthy and resilient communities, providing public safety, and reducing congestion and improving transportation in Lake County. The strategic plan informs and guides decisions throughout the year. The County also tracks and analyzes performance metrics and uses the data to drive decision-making.

## Requests for Information

This financial report is designed to provide the citizens, taxpayers, customers and investors with the general overview of the County's finances and to show the County's commitment to public accountability. This report is available on the County's website if you have any questions about this report or wish to request any additional information please contact Finance and Administrative Services, 18 North County Street, 9<sup>th</sup> floor, Waukegan, Illinois 60085.

## Lake County, Illinois

### Notes to Financial Statements

#### Note 6. Long-Term Obligations

Long-term obligations activity for the year ended November 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
Special service area	\$ 6,810,000	\$ -	\$ 165,000	\$ 6,645,000	\$ 170,000
General obligation	182,235,000	20,700,000	28,405,000	174,530,000	7,910,000
Add deferred amounts for premiums	4,532,475	2,660,554	1,127,144	6,065,885	-
Subtotals	193,577,475	23,360,554	29,697,144	187,240,885	8,080,000
Other liabilities:					
Compensated absences	18,640,066	15,604,586	15,561,933	18,682,719	7,510,989
Net OPEB liability	22,714,064	1,831,283	2,188,648	22,356,699	-
Claims and judgments - risk management	17,520,485	1,692,438	5,324,378	13,888,545	4,451,606
Claims and judgments - health, life and dental	2,720,000	40,830,781	41,155,514	2,395,267	2,395,267
Net pension liability	104,128,892	104,446,865	200,397,297	8,178,460	-
Total other liabilities	165,723,507	164,405,953	264,627,770	65,501,690	14,357,862
Total governmental activities Long-term liabilities	\$ 359,300,982	\$ 187,766,507	\$ 294,324,914	\$ 252,742,575	\$ 22,437,862
<b>Business-type activities</b>					
Bonds and notes payable:					
Revenue bonds	\$ 65,353,140	\$ 1,925,817	\$ 3,397,278	\$ 63,881,679	\$ 4,249,786
Add deferred amounts for premiums	975,654	-	243,913	731,741	-
Subtotals	66,328,794	1,925,817	3,641,191	64,613,420	4,249,786
Other liabilities:					
Net OPEB liability	923,969	67,087	156,289	834,767	-
Compensated absences	868,168	615,968	692,033	792,103	273,759
Net pension liability	3,300,091	4,186,503	7,192,432	294,162	-
Subtotals	5,092,228	4,869,558	8,040,754	1,921,032	273,759
Total business-type activities Long-term liabilities	\$ 71,421,022	\$ 6,795,375	\$ 11,681,945	\$ 66,534,452	\$ 4,523,545

Compensated absences, OPEB, and the net pension liability of governmental activities will be liquidated primarily by the General Fund. Compensated absences, other post-employment benefits, and the net pension liability of the business-type activities will be liquidated by the Public Works Fund. Claims and judgments will be liquidated by the General Fund and Health, Life, and Dental Internal Service Fund.

#### Special Service Area Bonds

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 11/30/18
<b>Governmental activities</b>					
Spencer Highlands SSA:					
No. 13 - special tax refunding	2/23/2016	12/15/2027	1-3.75%	\$ 2,245,000	\$ 1,895,000
SSA No. 16	12/31/2013	12/30/2038	3-5%	7,000,000	4,750,000
Total governmental activities - special service areas					\$ 6,645,000

On December 31, 2013, the County issued unlimited ad valorem bonds in the amount of \$7,000,000 for Special Service Area No. 16. Principal payments are due on December 30 in 2016, 2037, and 2038. Interest on the bonds is payable semi-annually beginning June 30, 2015 through December 30, 2038. The average interest rate is 4.89 percent. Proceeds were used to construct public works infrastructure in Special Service Area No. 16.

**Lake County, Illinois**

**Notes to Financial Statements**

**Note 6. Long-Term Obligations (Continued)**

On February 23, 2016, the County issued special tax refunding bonds in the amount of \$2,245,000. Principal payments are due yearly beginning December 15, 2016 through December 15, 2027. Interest on the bonds is payable semi-annually beginning June 15, 2016 through December 15, 2027. The annual interest rate ranges from 1.00 percent and 3.75 percent. Proceeds from the bonds were utilized for the current refunding of the 2007 taxable and non-taxable issuance for Special Service Area No. 13 with an annual interest rate of 5.55%.

<u>Years</u>	Governmental Activities Special Service Areas	
	Principal	Interest
2019	\$ 170,000	\$ 293,408
2020	170,000	289,795
2021	175,000	285,695
2022	180,000	281,033
2023	185,000	275,783
2024-2028	1,015,000	1,281,164
2029-2033	-	1,187,500
2034-2038	2,315,000	1,129,625
2039	2,435,000	60,875
Totals	<u>\$ 6,645,000</u>	<u>\$ 5,084,878</u>

**General Obligation Debt**

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 11/30/18
Governmental activities					
General obligation debt:					
Series 2010A	12/15/10	11/30/28	4.85-5.25%	\$ 31,410,000	\$ 31,410,000
Series 2011A	5/25/11	11/30/25	4.00-5.00%	20,000,000	20,000,000
Series 2013	11/25/13	11/30/22	3.00-5.00%	30,000,000	21,525,000
Series 2015A	6/30/15	11/30/44	2.00-4.00%	90,000,000	83,130,000
Series 2018	4/23/18	11/30/27	5.00%	20,700,000	18,465,000
Total governmental activities - general obligation debt					<u>\$ 174,530,000</u>

On December 15, 2010, the County issued \$31,410,000 in general obligation bonds, Series 2010A. The bonds have both a Recovery Zone and Build America Bond (BAB) component. The interest rate ranges from 4.85 percent and 5.25 percent. The proceeds of \$31,528,935 (including a premium of \$118,935 and underwriter's discount and cost of issuance of \$526,080) are being used to provide road improvements to public roads within the County. Interest on the bonds is paid semiannually on each May 30 and November 30. Principal payments begin in 2025 and are payable annually on November 30.

On May 25, 2011, the County issued \$20,000,000 in general obligation bonds (Sales Tax Alternate Revenue Source), Series 2011A, with annual interest rates between 4.00 percent and 5.00 percent. The proceeds of \$21,815,897 (including a premium of \$1,815,896 and \$142,100 payment of underwriter's discount and cost of issuance) are being used to provide road improvements to public roads within the County. Interest on the bonds is paid semiannually on each May 30 and November 30. Principal payments begin in 2022 and are payable annually on November 30.

## Lake County, Illinois

### Notes to Financial Statements

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#### Note 6. Long-Term Obligations (Continued)

On November 25, 2013, the County issued \$30,000,000 in general obligation bonds (Sales Tax Alternate Revenue Source), Series 2013, with annual interest rates between 3.00 percent and 5.00 percent. The proceeds of \$34,506,098 (including a premium of \$4,506,098 and \$231,333 payment of underwriter's discount and cost of issuance) are being used to provide road improvements to public roads within the County. Interest on the bonds is paid semiannually on each May 30 and November 30. Principal payments began in 2014 and are payable annually on November 30.

On June 30, 2015, the County issued \$90,000,000 in general obligation bonds (Sales Tax Alternate Revenue Source), Series 2015A, with annual interest rates between 2.00 percent and 4.00 percent. The proceeds of \$89,460,591 (including a premium of \$703,398 and \$1,242,807 in underwriter's discount) are being used to provide financing for construction of the courthouse expansion project. Interest on the bonds is paid semiannually on each May 30 and November 30. Principal payments began in 2015 and are payable annually on November 30.

On April 23, 2018, the County issued \$20,700,000 in general obligation refunding bonds (Sales Tax Alternative Revenue Source), Series 2018, with annual interest rates at 5.00 percent. The proceeds of \$23,143,942 (including premium of \$2,660,554, and \$45,540 in underwriter's discount and cost of issuance of \$170,000) were used to refund the County's General Obligation Bonds (Sales Tax Alternative Revenue Source), Series 2008A. Interest on the bonds is paid semiannually on each May 30 and November 30. Principal payments began in 2018 and are payable annually on November 30.

The cash flow requirements on the refunded debt prior to the current refunding was \$29,013,650 between 2018 and 2027. The cash flow requirements on the refunded bonds are \$26,255,375 between the same years. The current refunding results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,424,535.

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt	
	Principal	Interest
2019	\$ 9,550,000	\$ 7,547,059
2020	10,005,000	7,110,359
2021	10,475,000	6,652,109
2022	10,965,000	6,171,659
2023	11,470,000	5,705,809
2024-2028	62,320,000	20,135,155
2029-2033	14,730,000	10,454,925
2034-2038	17,895,000	7,589,244
2039-2043	22,040,000	3,743,600
2044	5,080,000	203,200
Totals	<u>\$ 174,530,000</u>	<u>\$ 75,313,119</u>

Lake County, Illinois

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

**Revenue Bonds Payable**

The County has pledged future operating revenues, net of specified operating expenses, to repay revenue bonds issued since 2005. Proceeds from the bonds provided financing for improvements to the water and sewerage systems. The bonds are payable solely from operating revenues and are payable through 2039. 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 \$83.9 million. Principal and interest paid for the current year and total customer gross revenues were \$6,327,493 and \$42,271,142, respectively.

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 11/30/18
Business-type activities					
Revenue bonds payable:					
Series 2005S-1	2005	2024	3.75-4.50%	\$ 1,000,000	\$ 390,000
Series 2009S	2009	2039	2.70-6.60%	1,220,000	995,000
Series 2010A	2010	2035	2.00-5.45%	20,000,000	19,130,000
Series 2016A	2016	2021	3.00-5.00%	10,025,000	6,385,000
IEPA L 17-4964	2014	2035	1.995%	6,247,682	5,603,818
IEPA L 17-5013	2016	2036	2.21%	32,000,000	31,377,861
Total business-type activities - bonds payable					<u>\$ 63,881,679</u>

Revenue bonds were issued for water and sewer construction. Outstanding revenue bonds at November 30, 2018 consist of \$25,515,000 of series ordinance revenue bonds due serially December 1, 2017 through 2035; \$1,385,000 of subordinate revenue bonds due serially December 1, 2017 through 2039; and \$36,981,679 of third lien revenue bonds due semiannually December 15, 2017 through December 15, 2036. Annual interest rates vary between 2.00 percent and 5.45 percent for the series revenue bonds, vary between 2.70 percent and 6.60 percent for the subordinate bonds, and vary between 1.995 percent and 2.21 percent for the third lien revenue bonds.

Years	Business-Type Activities Bonds Payable	
	Principal	Interest
2019	\$ 4,249,786	\$ 2,132,233
2020	4,449,094	1,976,247
2021	4,584,256	1,811,571
2022	3,115,289	1,641,081
2023	3,082,212	1,549,166
2024-2028	15,822,465	6,344,540
2029-2033	16,467,727	3,791,370
2034-2038	12,040,850	771,902
2039	70,000	3,003
Totals	<u>\$ 63,881,679</u>	<u>\$ 20,021,113</u>

**Other Debt Information**

Estimated payments of compensated absences, other post-employment benefits, and claims and judgments are not included in the debt service requirement schedules.

Lake County, Illinois

Notes to Financial Statements

Note 13. Lake County Forest Preserve District - Component Unit (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land and land rights	\$ 6,818,464	\$ -	\$ -	\$ 6,818,464
Land improvements	7,447,373	-	-	7,447,373
Total capital assets not being depreciated	14,265,837	-	-	14,265,837
Capital assets being depreciated:				
Buildings and improvements	6,987,246	-	-	6,987,246
Vehicles, machinery and equipment	3,363,874	227,343	52,203	3,539,014
Roads, trails and bridges	44,987	-	-	44,987
Furniture and fixtures	1,566,152	-	-	1,566,152
Total capital assets being depreciated	11,962,259	227,343	52,203	12,137,399
Less: accumulated depreciation:				
Buildings and improvements	5,633,474	262,068	-	5,895,542
Vehicles, machinery and equipment	2,514,594	169,404	52,203	2,631,795
Roads, trails and bridges	44,987	-	-	44,987
Furniture and fixtures	630,910	93,493	-	724,403
Total accumulated depreciation	8,823,965	524,965	52,203	9,296,727
Total capital assets being depreciated, net	3,138,294	(297,622)	-	2,840,672
Business-type activities capital assets, net of depreciation	\$ 17,404,131	\$ (297,622)	\$ -	\$ 17,106,509

Long-Term Obligations

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
General obligation bonds	\$ 277,325,000	\$ -	\$ 15,295,000	\$ 262,030,000	\$ 15,975,000
Add deferred amount:					
For issuance premium	8,093,728	-	1,079,454	7,014,274	857,366
For issuance discount	(48,070)	-	(3,828)	(44,242)	(3,254)
Total bonds payable	285,370,658	-	16,370,626	269,000,032	16,829,112
Compensated absences	1,690,514	68,481	92,216	1,666,779	196,438
Net OPEB liability	585,041	-	48,159	536,882	-
Net pension liability	9,321,344	-	7,101,920	2,219,424	-
Governmental activities long-term liability	\$ 296,967,557	\$ 68,481	\$ 23,612,921	\$ 273,423,117	\$ 17,025,550
Business-type activities					
Compensated absences	\$ 119,018	\$ 8,989	\$ -	\$ 128,007	\$ 4,401
Net OPEB liability	82,304	-	4,785	77,519	-
Net pension liability	1,109,431	-	743,019	366,412	-
Business-type activities long-term liabilities	\$ 1,310,753	\$ 8,989	\$ 747,804	\$ 571,938	\$ 4,401

**Lake County, Illinois**

**Notes to Financial Statements**

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**Note 13. Lake County Forest Preserve District - Component Unit (Continued)**

Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30.	Governmental Activities	
	Principal	Interest
2019	\$ 31,670,000	\$ 14,693,908
2020	16,315,000	8,932,033
2021	16,875,000	8,266,343
2022	17,500,000	7,596,683
2023	18,160,000	6,891,470
2024-2028	100,105,000	24,673,002
2029-2033	51,495,000	9,688,977
2034-2035	9,910,000	581,549
	<u>\$ 262,030,000</u>	<u>\$ 81,323,965</u>

**Illinois Municipal Retirement Fund**

*Plan description:* The District's defined benefit pension plan for Regular and Sheriff's Law Enforcement Personnel (SLEP) employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent, multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Benefits provided:* IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.