

## Lake County, Illinois

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The accrual basis of accounting is utilized by the proprietary and fiduciary funds. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Earned but unbilled services in the enterprise fund are accrued and reported in the financial statements.

The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public works and health, life, and dental funds are charges to customers for sales and services. Operating expenses for proprietary 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 nonoperating revenues and expenses.

#### Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

The County has adopted an investment policy, which is more restrictive than Illinois State Statutes, authorizes the County to invest in any of the types of accounts or securities listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America.
2. Interest-bearing checking or savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).
3. Forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States, only in those savings and loan associations insured by the FDIC, and not to exceed the maximum amount insured by the FDIC.
4. Insured dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or any other state or under the laws of the United States, only in those credit unions insured by the National Credit Union Administration (NCUA) and not to exceed the maximum amount insured by the NCUA.
5. Repurchase agreements (Illinois Compiled Statutes Chapter 30-235/2).
6. Illinois Funds (money market fund managed by the Treasurer of the State of Illinois).

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 the methods and inputs outlined in Note 2. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The County's investments that have a maturity date of less than one year from the date of acquisition are reported at amortized cost. The County holds commercial papers which are reported at amortized cost.

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Illinois Metropolitan Investment Fund (IMET) is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. Investment in IMET's 1-3 year fund may be redeemed with five business days' notice.

The County's investment policy contains the following guidelines for allowable investments.

*Custodial Credit Risk:* The County will not maintain any funds at a financial institution that is not a member of FDIC or NCUA. In addition, the policy requires the County to maintain funds in financial institutions willing and capable of collateralizing all funds in excess of FDIC and NCUA limits.

*Credit Risk:* The County will minimize credit risk by limiting the type of securities to U.S. Treasury obligations; U.S. Government agency obligations; money market mutual funds when portfolios consist of U.S. government obligations; deposits or investments defined by the Illinois Banking Act; repurchase agreements according to State Statute Chapter 30 ILCS 235/2; the Illinois funds; interest bearing bonds of any county, township, city, village, town, municipal corporation, or school district; and short term obligations of U.S. corporations with assets exceeding \$500 million in accordance with State Statute Chapter 30 ILCS/235/2a4).

*Concentration of Credit Risk:* Not addressed in policy.

*Interest Rate Risk and Investments Highly Sensitive to Market Changes:* The County will structure its investment portfolios so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

*Foreign Currency Risk:* Investments in foreign currency are not allowed.

#### Receivables

The County collector collects all property taxes on behalf of the taxing bodies in the County. Illinois Compiled Statutes require distributions to be made to all taxing bodies, including the County, within 30 days of collection and the final distribution to be made before January 31 of the following year. The Collector distributes at least bi-weekly in the months following the June and September collection deadline.

The 2017 property tax levy is recorded as revenue in fiscal year 2018. Since the 2018 property tax levy is levied to finance the operations of fiscal year 2019, the 2018 property tax levy is recorded as a receivable and deferred revenue.

Property tax calendar for Lake County, Illinois is as follows:

Lien date	January 1
Levy date	Second Tuesday in November
First installment (one-half of the total bill) due	June 1
Second installment (balance of the total bill) due	September 1
Tax sale of delinquent accounts is usually held in	December

Notes receivable and other accounts receivable have been shown net of an allowance for estimated uncollectible accounts. The County evaluates the collectability of its receivables based on the length of time the receivable is outstanding, payor class, and historical experience. Receivables are charged against the allowance for uncollectible accounts when they are deemed uncollectible.