

**Solid Waste Agency  
of Northern Cook County  
Glenview, Illinois**

**Annual Financial Report**

**Fiscal Year Ended April 30, 2014 and 2013**

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## FINANCIAL SECTION

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Members of the Board of Directors  
Solid Waste Agency of Northern Cook County  
Glenview, Illinois

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

We have audited the statements of net position, statements of activities and cash flows of the Solid Waste Agency of Northern Cook County (the "Agency"), as of and for the years ended April 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Agency's 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

(Continued)

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***Auditor's Responsibility*** (Continued)

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 Solid Waste Agency of Northern Cook County, as of April 30, 2014 and 2013, and the respective changes in financial position and cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note A to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement #65 (GASB 65) "*Items Previously Reported as Assets and Liabilities*", during the year ended April 30, 2014. GASB 65 changed the classification of certain items on the statement of net position. As a result of the implementation, net position as of May 1, 2012 was restated by \$19,961. Our opinion is not modified with respect to this matter.

***Other Matters***

The management's discussion and analysis on pages 5 through 9 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
August 29, 2014

Miller Cooper & Co., Ltd.

## Management Discussion and Analysis

### Introduction

This discussion and analysis of the Solid Waste Agency of Northern Cook County (the "Agency") is designed to provide the reader an objective and easily readable analysis of the Agency's financial activities for the past fiscal year (2014) which concluded on April 30, 2014 in comparison with the April 30, 2013 fiscal year. Also highlighted are significant financial transactions and issues, comparisons to prior year activities, any relevant trend information, and changes in the Agency's financial position.

This discussion and analysis is an integral part of the Agency's financial statements and should be read in conjunction with the financial statements, which begin on page 10.

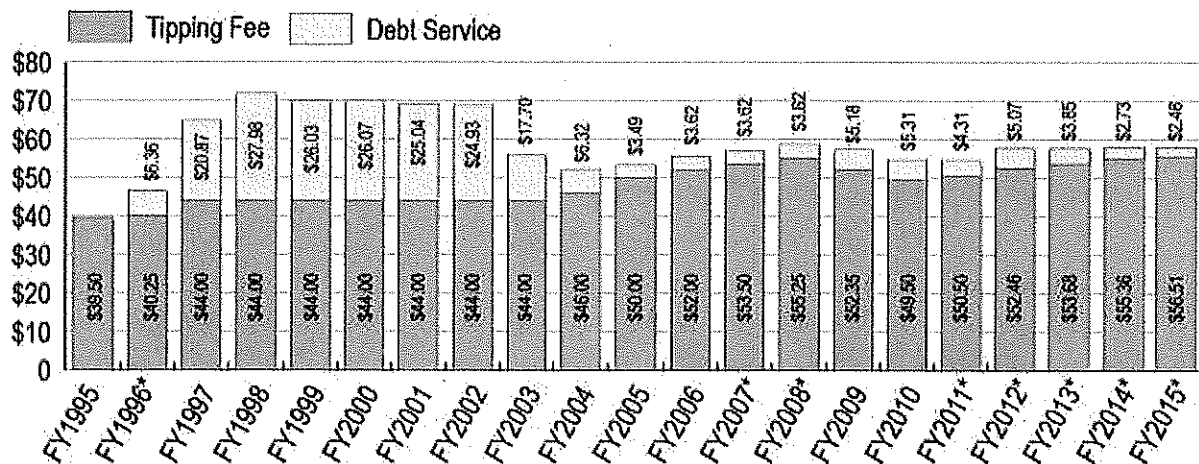
### Background

The Solid Waste Agency of Northern Cook County was formed in 1988 to provide comprehensive solid waste management programs to its twenty-three member communities. Since 1994, the Agency has owned a solid waste transfer station in the Village of Glenview that is operated by Groot Industries, Inc. to provide solid waste transfer and disposal services to its members. In addition to operating the transfer station, the Agency provides various education, recycling and waste reduction programs for the residents of its member communities.

The Agency has no taxing authority and derives the majority of its revenue from member payments for processing waste at the Glenview Transfer Station. The Agency establishes two charges each fiscal year, one for operation and maintenance costs (tipping fees) and another for fixed costs (debt service). The historical rates for these charges are shown in Chart 1.

Projections of Operations and Maintenance and Fixed Costs are prepared in the annual budget and allocated to each member based on their waste commitment allocation. Each member receives a monthly bill for their allocation of Agency costs. After the end of the fiscal year, actual Agency costs are calculated and actual member deliveries are determined. A true-up is used to either rebate billings to communities that under-deliver or invoice additional charges for over-deliveries of waste.

Chart 1 – Tipping Fees



\* Debt Service subsidized by SNI/ANCC

## *Management Discussion and Analysis*

### **Fund Structure**

The Agency's only fund is an enterprise fund. As such, transactions are recorded utilizing the accrual basis of accounting.

### **Overview of Financial Statements**

The Agency's summary of net position for FY2014 and FY2013 is included in Table 1. The Agency's net position increased 3.1% from FY2013 to FY2014.

**TABLE 1 – Summary of Net Position**

	<u>FY2014</u>	<u>FY2013</u>
Assets:		
Current Assets	\$ 4,975,698	\$ 5,552,099
Capital Assets	<u>9,802,029</u>	<u>10,277,599</u>
Total Assets	<u>14,777,727</u>	<u>15,829,698</u>
Deferred Outflows:		
Deferred amount on refunding	<u>7,850</u>	<u>23,550</u>
Liabilities:		
Current Liabilities	4,001,473	4,128,470
Long-Term Liabilities	<u>1,214,781</u>	<u>2,444,342</u>
Total Liabilities	<u>5,216,254</u>	<u>6,572,812</u>
Net Position:		
Net investment in capital assets	7,387,248	6,633,257
Restricted, revenue bonds	2,870,145	2,509,835
Unrestricted	<u>(688,070)</u>	<u>137,344</u>
Total Net Position	<u>\$ 9,569,323</u>	<u>\$ 9,280,436</u>

For more detailed information, see the Statement of Net Position beginning on page 10.

## *Management Discussion and Analysis*

Table 2 below provides the condensed Statement of Activities.

**TABLE 2 - Statement of Activities**

	FY2014	FY2013	Difference	% Change
Glenview Transfer Station (GTS) Operations				
Revenues - Charges to Members	\$ 13,859,857	\$ 13,730,221	\$ 129,636	0.94%
Expenses - GTS Operations	(12,221,853)	(11,743,701)	(478,152)	4.07%
Revenues - Recycling Incentive Program	242,177	320,422	(78,245)	-24.42%
Expenses - Recycling Incentive Program	(196,545)	(262,699)	66,154	-25.18%
Total Profit from GTS Operations	1,683,636	2,044,243	(360,607)	-17.64%
General and Administrative Expenses	(1,091,637)	(1,130,081)	38,444	-3.40%
Depreciation	(475,570)	(475,570)	-	0.00%
Operating Income	116,429	438,592	(322,163)	-73.45%
Non-Operating Revenues (Expenses)				
Interest Income	6,696	9,030	(2,334)	-25.85%
Interest Expense	(90,439)	(135,659)	45,220	-33.33%
Amortization	(15,700)	(23,549)	7,849	-33.33%
Miscellaneous Income	271,901	31,909	239,992	752.11%
Total Non-Operating Revenues (Expenses), Net	172,458	(118,269)	290,727	-245.82%
Change in Net Position	288,887	320,323	(31,436)	-9.81%
Net Position Beginning of Year, as restated	9,280,436	8,960,113	320,323	3.57%
Net Position End of Year	<u>\$ 9,569,323</u>	<u>\$ 9,280,436</u>	<u>\$ 288,887</u>	<u>3.11%</u>
Total Revenues	\$ 14,380,631	\$ 14,091,582	\$ 289,049	2.05%
Total Operating Expenses	<u>(14,091,744)</u>	<u>(13,771,259)</u>	<u>(320,485)</u>	<u>2.33%</u>
Net Income	<u>\$ 288,887</u>	<u>\$ 320,323</u>	<u>\$ (31,436)</u>	<u>-9.81%</u>

In FY2014, the Agency's net operating income decreases as a result of the continuing decline in member's waste deliveries at the Agency's Glenview Transfer Station (GTS). Net operating income was \$116,429 which decreased by 73.45% from FY2013. The bulk of the Agency's expenses are paid to Groot Industries for their operation of the GTS and are based on actual deliveries by Members. FY 2014 the Agency saw a slight increase, 2.2% in total waste deliveries to the GTS by members and commercial customers along with the completion of the Solid Waste Management Plan "SWMP" resulting in the total operational costs increasing by \$478,152 or 4.0%.



## *Management Discussion and Analysis*

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### **Recycling Incentive Program**

SWANCC continued its Recycling Incentive Program (RIP) in FY2014. Overall the total tons of recyclables collected decreased due a decline in overall waste generation and with Member Skokie withdrawing from the RIP during the fiscal year. Deliveries from Members that were in the program decreased 1.5 %. The Agency believes that the current economic conditions and the increase in consumer awareness for recycling have assisted in reducing the overall waste deliveries by Members.

The RIP, which was a component of the extended Groot contract approved by the Board of Directors in May 2008, provides for Groot to remit to the Agency a market-based payment for all Agency members' recyclable material that is either collected by Groot or delivered to Groot by another waste hauler.

The RIP payment is based on the high point per ton price of the No. 8 Newspaper for each month as printed in the Official Board Market Yellow Sheet publication minus \$75.54 (processing and marketing costs). If the Agency delivers less than 65,000 tons of recyclable material, the payment is 50% of the net amount from the above formula, if the tonnage is above 65,000 then the Agency receives the first \$17.50 and the balance is divided 50/50. Regardless of the price of No. 8 Newspaper, the guaranteed minimum payment under the program guidelines is \$5 per ton. The Agency members delivered 49,136.23 tons of recyclables in FY2014.

Commodity markets in FY2014 experienced supply and demand pressures that impacted the overall price of No. 8 Newspaper from a high price of \$65.00 in May 2013 with the balance of the year at a price of \$55.00. This resulted in the Agency receiving more than the minimum guaranteed payment of \$5 per ton. The continued volatility in the value of recycling commodities will be impacted by the overall world economic recovery and be difficult to project going forward.

In FY2014, \$245,681 in payments for the members that delivered under the RIP was approved by the Board of Directors. In accordance with the Board's direction, the Agency retained \$49,136 of the RIP revenues in order to offset the Agency's expenses. The total revenue and expenses stated in the reporting period for the RIP reflect expenses associated with prior fiscal years and were treated as expensed for clarity in reporting.

### **Glenview Transfer Station Operations**

The Agency's Glenview Transfer Station (GTS) processes and provides for disposal waste delivered by the members and customers of the Agency. The amount of waste delivered to the Agency from all sources totaled 261,727 tons, an increase of 2.2% from FY2013. With the more normal weather pattern, the Agency experienced an increase in commercial waste deliveries (landscaping waste). At the same time, continued economic uncertainty, especially in consumer spending and home foreclosures, is seen as the primary force that resulted in flat growth of Member waste deliveries at the GTS.

The Glenview Transfer Station has been operated by Groot Industries since 1994. In May 2008, the Board of Directors authorized an extension to the Groot contract, which was subject to cancelation in April 2009, until 2015 in return for reduced disposal and operation costs which were realized in FY2009. The renovations of the GTS allowed for increased waste processing with reduced operation costs for both the Agency and Groot.

## ***Management Discussion and Analysis***

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Under the GTS operating contract, Groot is compensated on a per ton basis for the operation of the transfer station and for the disposal of waste. Groot was paid \$50.88 per ton in FY2014. During FY2014, Groot received payment based on an estimated range of 785 to 975 tons per day of member waste deliveries in an effort to better match the flow of waste by our members. At the end of the Fiscal Year, a true-up with Groot occurs to reconcile the actual deliveries with the estimated billing. In FY 2014 this true-up resulted in Groot owing the Agency \$26,550.

The non-member tonnage delivered to the GTS increased from 26,095 tons in FY2013 to 30,448 tons in FY2014 or 16.7%. The increase in tonnage was mainly due to the normalization of the weather pattern experienced in spring through fall for 2013 as compared to 2012 and enhanced usage by small independent waste haulers due to the Agency's pricing structure at the transfer station. Revenue from the non-member waste and small commercial haulers increased by \$66,016 to \$427,651 or 18.3% in FY2014. These customers are willing to pay higher per unit prices in exchange for no per load volume minimums.

Overall, the GTS operated efficiently and effectively in FY2014 with no downtime in waste processing from operational or regulatory issues.

### **Capital Assets**

Net capital assets decreased by \$475,570 during FY2014 as a result of depreciation expense. See Note C for additional information.

### **Debt Activity**

Long-term debt for the fiscal reporting period indicated \$1,120,000 in payments was made on May 1, 2013, with an outstanding balance of \$2,400,000 as of April 30, 2014. See Note D for additional information.

### **Contacting the Agency**

This financial report is designed to provide the users of these financial statements an overview of the Agency's operations and finances and to demonstrate accountability for the funds it receives. Questions concerning these financial statements may be directed to David Van Vooren, 77 West Hintz Road, Suite 200, Wheeling, Illinois 60090.

## **BASIC FINANCIAL STATEMENTS**

# Solid Waste Agency of Northern Cook County

## Statements of Net Position

April 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Deposits and investments		
Unrestricted	\$ 1,955,759	\$ 2,321,610
Restricted	2,870,145	2,509,835
Accounts receivable		
Members	-	77,419
Due from contractor	26,150	332,968
Billings in advance	119,233	303,688
Prepaid expenses	<u>4,411</u>	<u>6,579</u>
Total current assets	4,975,698	5,552,099
Capital assets, net of depreciation	<u>9,802,029</u>	<u>10,277,599</u>
Total assets	<u>14,777,727</u>	<u>15,829,698</u>
DEFERRED OUTFLOWS		
Deferred amount on refunding	<u>7,850</u>	<u>23,550</u>

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The accompanying notes are an integral part of these statements.

## Solid Waste Agency of Northern Cook County

Statements of Net Position (Continued)

April 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,112,183	\$ 1,003,052
Due to members - true up	530,475	764,446
Unearned revenue	1,158,815	1,160,972
Current portion of long-term debt	<u>1,200,000</u>	<u>1,200,000</u>
Total current liabilities	<u>4,001,473</u>	<u>4,128,470</u>
Long-term liabilities		
Long-term debt due after one year	<u>1,214,781</u>	<u>2,444,342</u>
Total liabilities	<u>5,216,254</u>	<u>6,572,812</u>
NET POSITION		
Net investment in capital assets	7,387,248	6,633,257
Restricted, revenue bonds	2,870,145	2,509,835
Unrestricted	<u>(688,070)</u>	<u>137,344</u>
Total net position	<u>\$ 9,569,323</u>	<u>\$ 9,280,436</u>

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The accompanying notes are an integral part of these statements.

# Solid Waste Agency of Northern Cook County

## Statements of Activities

For The Years Ended April 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
Transfer Station Operations		
Revenues - charges to member communities	\$ 13,859,857	\$ 13,730,221
Expenses - transfer station operations	(12,221,853)	(11,743,701)
Revenues - recycling incentive program	242,177	320,422
Expenses - recycling incentive program	(196,545)	(262,699)
	<u>1,683,636</u>	<u>2,044,243</u>
Total profit from transfer station operations		
General and administrative expenses	(1,091,637)	(1,130,081)
Depreciation	(475,570)	(475,570)
	<u>116,429</u>	<u>438,592</u>
Operating income		
Nonoperating revenue (expenses):		
Interest income	6,696	9,030
Interest expense	(90,439)	(135,659)
Miscellaneous income	271,901	31,909
Amortization of deferred amount on refunding	(15,700)	(23,549)
	<u>172,458</u>	<u>(118,269)</u>
Total nonoperating revenue (expenses), net		
Change in net position	<u>288,887</u>	<u>320,323</u>
Net position, beginning of year, as restated	<u>9,280,436</u>	<u>8,960,113</u>
Net position, end of year	<u>\$ 9,569,323</u>	<u>\$ 9,280,436</u>

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The accompanying notes are an integral part of these statements.

## Solid Waste Agency of Northern Cook County

Statements of Cash Flows  
For the Years Ended April 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from members and users	\$ 14,717,705	\$ 13,738,781
Cash payments to employees	(433,593)	(410,702)
Payments to suppliers and members	(13,218,250)	(13,260,276)
Net cash provided by operating activities	1,065,862	67,803
Cash flows from noncapital financing activities		
Miscellaneous income	271,901	31,909
Restricted cash	(360,310)	429,274
Net cash provided by (used in) noncapital financing activities	(88,409)	461,183
Cash flows from capital and related financing activities		
Principal paid on contract revenue bonds	(1,200,000)	(1,120,000)
Interest paid and related charges on contract revenue bonds	(134,300)	(184,451)
Net cash used in capital and related financing activities	(1,334,300)	(1,304,451)
Cash flows from investing activities		
Investment expenses	(15,700)	(23,549)
Investment income	6,696	9,030
Net cash used in investing activities	(9,004)	(14,519)
Net decrease in cash	(365,851)	(789,984)
Unrestricted deposits and investments, beginning of year	2,321,610	3,111,594
Unrestricted deposits and investments, end of year	\$ 1,955,759	\$ 2,321,610

The accompanying notes are an integral part of these statements.

## Solid Waste Agency of Northern Cook County

Statements of Cash Flows (Continued)  
For the Years Ended April 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ <u>116,429</u>	\$ <u>438,592</u>
Adjustments		
Depreciation	475,570	475,570
(Increase) decrease in assets		
Accounts receivable		
Members	77,419	(77,419)
Billings in advance	184,455	(48,884)
Other	306,818	(284,231)
Prepays	2,168	5,100
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	139,131	(361,257)
Due to financing members - true up	(233,971)	(178,340)
Unearned revenue	<u>(2,157)</u>	<u>98,672</u>
Total adjustments	<u>949,433</u>	<u>(370,789)</u>
Net cash provided by operating activities	\$ <u><u>1,065,862</u></u>	\$ <u><u>67,803</u></u>

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The accompanying notes are an integral part of these statements.



## **Solid Waste Agency of Northern Cook County**

### **NOTES TO THE FINANCIAL STATEMENTS**

April 30, 2014

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#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Solid Waste Agency of Northern Cook County (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Agency's accounting policies are described below.

##### **1. Reporting Entity**

The Agency is a municipal joint action agency created, on May 2, 1988, under the provisions of the Intergovernment Cooperation Act, 5 ILCS 220/3.2 (the Act). The Agency is empowered to plan, finance, construct, and operate a solid waste disposal system to dispose of the waste received from its members.

The Glenview Transfer Station, located in the Village of Glenview, Illinois, commenced operations February 1, 1994. Pursuant to the Project Use Agreements, charges to the members' communities using the Glenview Transfer Station at April 30, 2014 and 2013 resulted in charges of approximately \$58 per ton.

The Agency consists of the following member municipalities:

Arlington Heights	Mount Prospect
Barrington	Niles
Buffalo Grove	Palatine
Elk Grove Village	Park Ridge
Evanston	Prospect Heights
Glencoe	Rolling Meadows
Glenview	Skokie
Hoffman Estates	South Barrington
Inverness	Wheeling
Kenilworth	Wilmette
Lincolnwood	Winnetka
Morton Grove	

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 1. Reporting Entity (Continued)

The Agency is governed by a board of directors consisting of one official selected by each member community who serves a two-year term. Each director has one vote. The board of directors determines the general policies of the Agency; makes all appropriations; approves contracts for solid waste disposal; adopts resolutions providing for the issuance of bonds or notes by the Agency; adopts by-laws, rules, and regulations; and exercises such powers and performs such duties as may be prescribed in the Agency agreement or the bylaws of the Agency.

The Executive Committee of the Agency consists of seven persons elected by the board of directors. Each person is entitled to one vote on the Executive Committee. The Executive Committee may take any action not specifically reserved to the board of directors by the Act, the Agency agreement, or the bylaws.

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. Criteria for including a component unit in the Agency's reporting entity principally consist of the potential component unit's financial interdependency and accountability to the Agency. Based upon those criteria, there are no potential component units to be included in the reporting entity. The Agency itself is not a component unit of another governmental entity, but rather is considered to be a jointly governed organization.

##### 2. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which was implemented by the Agency during the fiscal year ended April 30, 2014. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as limiting the use of the term deferred in financial statement presentations.

## **Solid Waste Agency of Northern Cook County**

### **NOTES TO THE FINANCIAL STATEMENTS**

April 30, 2014

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 2. New Accounting Pronouncement (Continued)

Specific changes to the Agency's financial statements relate to the following: deferred charges on refunded debt and bond issuance costs. Deferred charges on refunded debt are now reported as a deferred outflow rather than an asset. This reclassification for reporting purposes had no impact on the net position of the Agency. Bond issuance costs are no longer considered an asset and are expensed in the year they are incurred. See Note J for the effect of this restatement.

##### 3. Fund Accounting

The financial records of the Agency are maintained within a single enterprise fund utilizing the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Operating revenue is earned proportionately as operating expenses are incurred or as additional charges are made to the member municipalities. Member municipalities are charged fees for services in accordance with the intergovernmental agreement. Other revenue is recognized as earned.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Agency is that the costs (expenses, including depreciation) of providing goods or services to the member municipalities on a continuing basis be financed or recovered primarily through user charges; or (b) where the Agency has decided that periodic determination of revenues earned, expenses incurred and net income or loss is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations.

##### 4. Capital Assets

It is the Agency's policy, in general, to capitalize assets with a useful life of one year or more and an initial individual or group cost in excess of \$25,000. Capital assets are recorded at cost. If actual cost cannot be determined, estimated historical cost is used; donated capital assets are valued at their estimated fair market value on the date donated.

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 4. Capital Assets (Continued)

Depreciation of property and plant has been provided for over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Building and Improvements	38

##### 5. Deposits and Investments

Deposits and investments consist of cash on hand, deposits in noninterest-bearing checking accounts, money market accounts, certificates of deposits with original maturities of three months or less from the date of acquisition, U.S. Government Agency Securities, U.S. Treasury Notes, and certificates of deposit with maturities greater than three months at the time of purchase. All investments are stated at fair value. Changes in fair value are recorded in interest income.

##### 6. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

##### 7. Unearned Revenue

Members are billed at the beginning of the month for the following month's service. These billings in advance of services are included in accounts receivable and unearned revenue. The unearned revenue amounted to \$1,158,815 and \$1,160,972, at April 30, 2014 and 2013, respectively.

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014

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#### NOTE B - DEPOSITS AND INVESTMENTS

The Agency's investment policy, in line with state statutes, authorizes the Agency to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, certain repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds, and the Illinois Metropolitan Investment Funds.

Deposits and investments totaled \$4,825,904. Of that amount, \$2,870,145 is restricted by the provisions of the revenue bond resolution (Note D). For disclosure purposes, deposits and investments is segregated into two components: 1) deposits with financial institutions, which include amounts held in demand accounts and savings accounts; and 2) investments, which consist of investments in U.S. Treasury Money Market and Illinois Metropolitan Investment Fund.

	<u>Total</u>
Deposits with financial institutions	\$ 1,874,705
Investments	<u>2,951,199</u>
	<u>\$ 4,825,904</u>

At April 30, 2014, the Agency's investments were as follows:

	<u>Fair Value</u>	<u>Less Than One Year</u>
U.S. Treasury Money Market	\$ 1,260,009	\$ 1,260,009
Illinois Metropolitan Investment Fund	<u>1,691,190</u>	<u>1,691,190</u>
	<u>\$ 2,951,199</u>	<u>\$ 2,951,199</u>

## **Solid Waste Agency of Northern Cook County**

### **NOTES TO THE FINANCIAL STATEMENTS**

April 30, 2014

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#### **NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

##### **1. Interest Rate Risk**

The Agency attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Agency will not directly invest in securities maturing more than one year from the date of purchase. Reserve funds may be invested in securities exceeding one or two years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. The investment period must be approved by the Agency's board.

##### **2. Credit Risk**

The Illinois Metropolitan Investment Fund (IMET) 1-3 Year Series and Convenience Fund are depository vehicles that are 100 percent collateralized with obligations of the United States Treasury and its agencies and are rated AAA by Standard & Poor's. All collateral securities are held in the name of the Illinois Metropolitan Investment Fund.

##### **3. Custodial Credit Risk**

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Agency's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. At April 30, 2014, the bank balances of the Agency's deposits with financial institutions totaled \$1,874,705 all of which was fully insured or collateralized.

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investment policy limits the exposure to investment custodial credit risk by requiring that all investments not guaranteed by the U.S. or one of its agencies be secured by private insurance or collateral. As of April 30, 2014, the Agency had no unsecured investments.

# Solid Waste Agency of Northern Cook County

## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014

### NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,381,800	\$ -	\$ -	\$ 1,381,800
Total capital assets, not being depreciated	<u>1,381,800</u>	<u>-</u>	<u>-</u>	<u>1,381,800</u>
Capital assets, being depreciated				
Building and improvements	<u>17,312,202</u>	<u>-</u>	<u>-</u>	<u>17,312,202</u>
Total capital assets, being depreciated	<u>17,312,202</u>	<u>-</u>	<u>-</u>	<u>17,312,202</u>
Less accumulated depreciation for:				
Building and improvements	<u>8,416,403</u>	<u>475,570</u>	<u>-</u>	<u>8,891,973</u>
Total accumulated depreciation	<u>8,416,403</u>	<u>475,570</u>	<u>-</u>	<u>8,891,973</u>
Total capital assets, being depreciated, net	<u>8,895,799</u>	<u>(475,570)</u>	<u>-</u>	<u>8,420,229</u>
Total capital assets	<u>\$ 10,277,599</u>	<u>\$ (475,570)</u>	<u>\$ -</u>	<u>\$ 9,802,029</u>

# Solid Waste Agency of Northern Cook County

## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014

### NOTE D - LONG-TERM LIABILITIES

The following is the long-term liability activity for the Agency for the year ended April 30, 2014:

	Balance May 1, 2013	Additions	Deletions	Balance April 30, 2014
\$8,090,000 Contract Bonds, Series 2008, bearing Interest at 5%, maturing through 2015.	\$ 3,600,000	\$ -	\$ 1,200,000	\$ 2,400,000
Unamortized premium	44,342	-	29,561	14,781
Deferred amount on refunding	<u>(23,550)</u>	<u>-</u>	<u>(15,700)</u>	<u>(7,850)</u>
Total	\$ <u>3,620,792</u>	\$ <u>-</u>	\$ <u>1,213,861</u>	\$ <u>2,406,931</u>
	<u>Due within one year</u>			
Contract Revenue Bonds, Series 2008	\$ <u>1,200,000</u>			

At April 30, 2014, the Agency's future cash flow requirements for retirement of bond principal were as follows:

Year Ending April 30	Principal	Interest	Total
2015	\$ 1,200,000	\$ 60,000	\$ 1,260,000
2016	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
	\$ <u>2,400,000</u>	\$ <u>60,000</u>	\$ <u>2,460,000</u>



## **Solid Waste Agency of Northern Cook County**

### **NOTES TO THE FINANCIAL STATEMENTS**

April 30, 2014

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#### **NOTE D - LONG-TERM LIABILITIES** (Continued)

In May 2008, the Agency issued Contract Revenue Bonds, Series 2008A, to refund the Contract Revenue Bonds Series 2002. The refunding was undertaken to move from variable rate to fixed rate debt to eliminate the Agency's exposure to interest rate risk.

The resolution authorizing the issuance of the 2008A Bonds provides for the establishment of the following accounts:

***Revenue Account*** - All pledged revenues of the Agency are to be deposited into this account as soon as practicable after receipt.

***Operation and Maintenance Account*** - Amounts are deposited in this account as necessary to accumulate one-sixth of the annual operating and maintenance expenses included in the project budget. At April 30, 2014, this account contained \$1,610,136, which is presented in restricted deposits and investments on the Statement of Net Position.

***Debt Service Fund Account*** - Amounts deposited in this account are used to pay principal and interest on the Bonds. At April 30, 2014, this account contained \$1,260,000 to pay for debt service.

***Subordinated Indebtedness Account*** - Amounts are deposited in this account as required to pay principal and interest on subordinated debt, if any.

***Rebate Account*** - Amounts are deposited in this account to the extent determined necessary by the Agency.

***Residual Account*** - Amounts deposited are to be used to fund certain deficiencies in the Operation and Maintenance Account, Debt Service Account, or Subordinated Indebtedness Account. Any excess funds in this account may be transferred to any other account or, upon certain conditions, to the Agency. At April 30, 2014, this account contained \$9, which is presented in restricted deposits and investments on the Statement of Net Position.

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014

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#### NOTE E - OPERATING LEASES

The Agency leases office space in Glenview under an operating lease through July 2014. Under the terms of the lease, the Agency is responsible for their share of the real estate taxes and operating expenses on the property. In March 2014, the Agency entered into an agreement to lease new office space in Wheeling. The term of the lease begins in August 2014 and goes through July 2021. Monthly base rental payments will range from \$5,077 to \$6,062 over the term of the lease. In addition, the Agency is responsible for their share of the real estate taxes and operating expenses on the property. Rent expense for the years ended April 30, 2014 and 2013 totaled \$122,428 and \$122,838, respectively.

Minimum future base rental payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
2015	\$ 62,289
2016	62,295
2017	64,164
2018	66,089
2019	68,072
Thereafter	<u>160,519</u>
	<u>\$ 483,428</u>

#### NOTE F - COMMITMENTS

##### 1. Groot Recycling and Waste Services Agreement

The Agency and Groot Recycling and Waste Services, Inc. ("Groot") have a contract by which Groot will operate the Glenview Transfer Station until April 2015 and provide for processing, hauling, and disposal of waste delivered to the Glenview Transfer Station. Payments to Groot for the years ended April 30, 2014 and 2013 totaled \$11,767,458 and \$11,412,787, respectively. Management anticipates that future payments will be consistent with historical amounts.

## **Solid Waste Agency of Northern Cook County**

### **NOTES TO THE FINANCIAL STATEMENTS**

April 30, 2014

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#### NOTE F - COMMITMENTS (Continued)

##### 2. Lease Build-Out

As part of the new lease discussed in Note E, the Agency will be responsible for \$220,000 of the construction costs related to the build-out of the new office space. This amount will be paid to the lessor during the next fiscal year.

#### NOTE G - RETIREMENT PLANS

The Agency sponsors a salary reduction plan for the benefit of certain eligible employees. The plan allows for participant contributions pursuant to the provisions of Internal Revenue Code Section 457(b). The plan provides for Agency to make contributions of six percent of the participant's eligible compensation and matching contributions for the first six percent of the of participant's elected contribution. The Agency's contributions totaled \$47,987 and \$45,894, for the years ended April 30, 2014 and 2013, respectively.

#### NOTE H - RISK MANAGEMENT

The Agency is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Agency carries commercial property and liability insurance. There has been no decrease in coverage during the year. Settled claims resulting from these risks have not exceeded insurance coverage in the last three years.

#### NOTE I - CONTINGENCIES

The Agency is not involved in any significant litigation that would materially affect the balances reported at April 30, 2014. With regard to other pending matters, the eventual outcome and related asset or liability, if any, are not determinable at this time. No provision has been made in the accompanying financial statements.

## **Solid Waste Agency of Northern Cook County**

### **NOTES TO THE FINANCIAL STATEMENTS**

April 30, 2014

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#### NOTE J - PRIOR PERIOD ADJUSTMENT

The implementation of GASB 65 (Note A-2) required bond issuance costs be expensed in the year incurred. As a result of this implementation, net position as of May 1, 2012 decreased by \$19,961.

#### NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 29, 2014, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.