

Fiscal Year 2002

Annual Report

May 1, 2001 through April 30, 2002



Welcome to the Solid Waste Agency of Northern Cook County (SWANCC) Fiscal Year 2002 Annual Report. SWANCC is a municipal joint-action agency responsible for meeting the solid waste management needs of its 23 member communities. These member communities are located in northern Cook County and represent over 750,000 residents. The Agency's goal is to provide an economically stable and environmentally safe solution to its members' solid waste management needs.

The Agency's FY 2002 began on May 1, 2001, and ended April 30, 2002, and had a total budget of \$19,339,840. The budget corresponded to a per ton rate of \$44.00 for O&M expenses and \$24.93 in Fixed Cost expenses. At the end of the fiscal year, the Agency's actual expenses were equal to the budgeted rates. The budget for FY 2003 reflects significant cost reductions in Fixed Cost expenses due to the sale of certain assets related to the Agency's Balefill project.

FY 2002 brought an official end to the Agency's Balefill project. The original Solid Waste Management Plan adopted in 1991 called for an Agency-owned Balefill to be constructed to serve the member's waste disposal needs. Opposition to the project led to a protracted legal battle that ended with the Agency prevailing before the U.S. Supreme Court. The decision at the Supreme Court greatly increased the value of the Balefill property. The State of Illinois purchased the bulk of the property in December 2001 for \$21,000,000. SWANCC retained a portion of the property with the intent to sell to a private developer. This sale is expected to close in October of 2002. All of the proceeds of this sale were used to reduce the Agency's debt and subsequent Fixed Cost expenses in future budgets.

The Agency continues to use long-term contracts for the disposal of the member's solid waste. Agency members delivered 271,453 tons of waste to the Agency's Glenview Transfer Station and Groot's Elk Grove Village Transfer Station.

Agency members remained committed to recycling despite a gradual reduction in recycling rates. In calendar year 2001, Agency members diverted 161,563 tons of material from the landfill. A pilot study conducted by Agency staff identified recycling bin size as being a controlling factor in the amount of recyclables collected in recycling programs. As a result, many member communities are moving to larger recycling carts for recyclables collection. It is expected that the new carts will increase the amount of recyclables collected in our communities.

Education programs continue to be popular with SWANCC-area schools. Over 50 schools participated in Agency programs during the 2001-2002 school year. These education programs reinforce the goals of the Agency's Solid Waste Management Plan which are to reduce the amount of waste we generate, recycle as much of our waste as possible; and finally, to dispose of the remaining waste in a cost effective and environmentally sound manner.



George Van Dusen
Chairman, Board of Directors

INTRODUCTION

The Solid Waste Agency of Northern Cook County (SWANCC) is a joint municipal action agency incorporated in the State of Illinois. The Agency was formed in 1988 to provide a regional approach to the solid waste management needs of its member communities. SWANCC's 23 member communities represent over 750,000 residents in northern Cook County, Illinois.

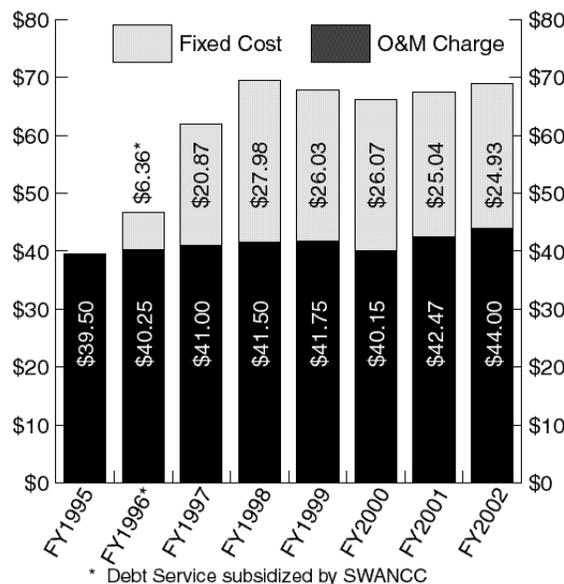
FINANCIAL OVERVIEW – FISCAL YEAR 2002

The Agency is funded solely by its members through monthly payments made in accordance with the Project Use Agreement with each member. During the budget process, each member's waste commitment for the upcoming year is calculated based on a three year rolling average. Projections of O&M charges and Fixed Costs are prepared in the 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 shows the historical fixed costs and O&M costs charged by the Agency.

Budgeted O&M Charges - Operation and Maintenance (O&M) Charges are those costs the Agency incurs for its day-to-day operations. This includes the operation and maintenance of the Glenview Transfer Station (GTS) and the Agency's administrative expenses. The O&M charge for FY 2002 was budgeted at \$44.00 per ton based on members delivering 248,320 tons of waste to the GTS. This was the sixth consecutive year that the O&M charge has been budgeted at \$44.00 per ton.

Budgeted Fixed Costs - Fixed costs are related to the Agency's financing and do not vary as a function of the amount of member waste delivered to the Agency. The FY 2002 budget set the fixed cost charge at \$24.93 per ton, \$0.11 less than FY 2001. Members are billed for this fixed charge along with their O&M charge.

Chart 1 - Actual Member O&M Charges and Fixed Costs



True-up - At the end of the fiscal year, SWANCC's agreements with the individual members require an annual true-up of actual costs that were incurred during the fiscal year. Prior to the true-up, members paid bills based on estimated costs developed during the budget process. The true-up also accounts for the actual waste deliveries by each member.

Since the Agency's fixed costs are predictable and do not vary as a function of the amount of waste delivered, the actual fixed cost charge remained at the budgeted level of \$24.93 per ton. Members that over-delivered waste are billed an additional \$24.93 per ton for each ton over their commitment. Those that under-delivered receive a rebate of \$24.93 per ton for the amount under their commitment.

After accounting for all costs incurred by the Agency in FY 2002, the actual O&M charge was \$44.00 per ton, equal to the budgeted value. Individual members may see a credit or a debit depending on the magnitude of their actual waste deliveries.

Since FY 1997, the Agency has operated within its budget and has returned excess revenues back to the members.

SOLID WASTE OPERATIONS

The Agency owns a municipal solid waste transfer station located in Glenview, Illinois. The Glenview Transfer Station (GTS) is an 85,000 square foot building capable of processing over 1,600 tons of municipal solid waste per day. The transfer station serves as a centralized location for collection vehicles to dump their waste and return to their collection routes in the quickest possible manner. At the transfer station, the waste is compressed into 3,000-pound bales and loaded into enclosed semi-trailers for transport to a landfill.

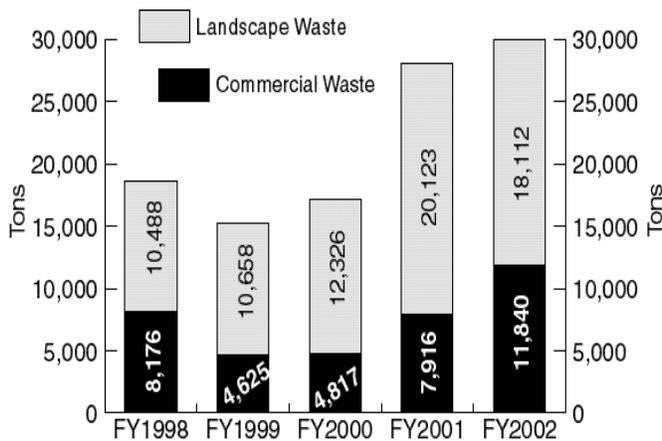
In FY 2002, member communities delivered a total of 271,425 tons of municipal solid waste to the transfer station. This is an increase of 18,043 tons (7.12%) over FY 2001. The increase can be attributed to members capturing additional waste through annexations and continued increases in per capita waste generation. Per capita waste generation grows during periods of high consumer confidence.

A total of 11,840 tons of non-member solid waste were delivered to the transfer station by refuse haulers, contractors, and private citizens. The transfer station also handled 18,112 tons of landscape waste in FY 2002. Landscape waste is processed separate from the solid waste and is transported to a composting facility for recycling. These combined deliveries resulted in \$135,862 in revenues for the Agency. Chart 2 on the following page shows the historical deliveries of non-member waste and landscape waste.

Baling at the Glenview Transfer Station



Chart 2 - Commercial and Landscape Waste Deliveries



BALEFILL DEVELOPMENT

The Northwest Cook County Balefill is a 142-acre disposal site located on an abandoned strip-mine in unincorporated Cook County. The Balefill received approval from Cook County and the Illinois Environmental Protection Agency. SWANCC filed two Section 404 Clean Water Act permit applications with the Army Corps of Engineers to fill 17 acres of water in order to develop the facility. The Corps denied the Agency's applications on January 31, 1991 and July 21, 1994 respectively.

The Agency filed suit in December 1994 against the Corps of Engineers contending that the Corps does not have jurisdiction over the site. On March 25, 1998, the Federal District Court ruled against SWANCC and found that the Corps of Engineers does have jurisdiction over the 17 acres of water on the site through its "Migratory Bird Rule".

On May 21, 1998, SWANCC appealed the United States Federal District Courts decision to uphold the United States Army Corps of Engineers jurisdiction over the Balefill property. The case was briefed during FY 1999, and the Seventh Circuit Court of Appeals held oral arguments concerning the case on January 8, 1999. On October 7, 1999, the Court of Appeals affirmed the lower courts decision agreeing with the U.S. Army Corps exercise of jurisdiction over the property.

On November 10, 1999, the Agency's Board of Directors approved a motion to appeal the Seventh Circuit Court of Appeals' decision. Consequently, on January 14, 2000, the Agency filed a petition with the United States Supreme Court asking for a review of the Seventh Circuit's decision. On May 24, 2000, the court granted SWANCC's petition and agreed to hear the case. Written briefs were filed with the court including 19 "friends of the court" briefs supporting the Agency's position. Oral arguments were heard on October 31, 2000, and on January 9, 2001, a 5-4 majority of the court ruled in favor of SWANCC and overturned the Seventh Circuit's decision.

In his decision for the majority, Chief Justice William Rehnquist wrote,

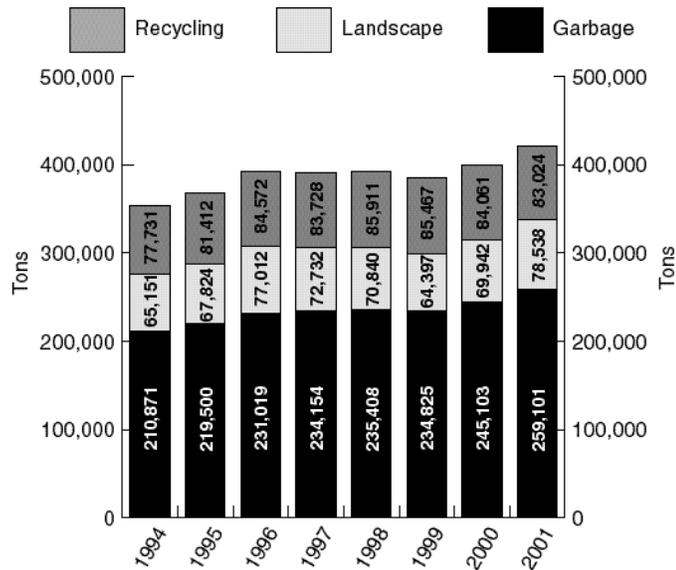
We conclude that the "Migratory Bird Rule" is not fairly supported by the Clean Water Act

Shortly after the decision at the U.S. Supreme Court, the State of Illinois expressed an interest in purchasing the Balefill property in order to stop construction of the Balefill. After lengthy negotiations, SWANCC agreed to sell the property to the State for \$21,000,000. This transaction closed on December 19, 2001, and brought an end to development plans of the Agency's Balefill. SWANCC retained a portion of the property with the intent to sell to a private developer. This sale is expected to close in November of 2002. The proceeds of the land sales are used to reduce the Agency's debt.

RECYCLING

SWANCC remains committed to reducing the amount of solid waste needing disposal. One of the more effective means to reducing our dependence on landfills is through recycling. Every one of SWANCC's 23 member communities offer curbside recycling for its residents. These curbside programs combined with yard waste collections resulted in a 38.4% diversion rate for calendar year 2001. Recyclables and yard waste each account for roughly half of the diversion rate. The diversion rate represents a two-tenths of a percentage point reduction from the 2000 diversion rate. Reductions in the diversion rate over the past few years have been a result of collection programs being at capacity and unable to match increases in waste generation rates. Chart 3 shows the historical waste generation tonnage.

Chart 3 - SWANCC Member Waste Generation



Recycling Carts are Replacing Bins



A pilot project conducted in FY 2001 helped determine that collection container size is a significant factor in the amount of recyclables collected. Once residents filled their 18-gallon recycling bins, many threw their remaining recyclables out with their solid waste. To combat this, SWANCC and the Village of Skokie tested 65-gallon carts for recyclables. Over 95% of the residents using the recycling carts felt the pilot was successful. Use of the cart resulted in an 8% increase in recyclables collected.

Many member communities are considering adopting a 65-gallon cart for recycling in the near future. SWANCC anticipates that all members will adopt this type of program within five years.

SPECIAL COLLECTIONS

SWANCC is involved in assisting with special collections of certain materials where no readily available recycling or disposal outlet exists. In FY 2002, SWANCC co-sponsored collection events for electronic equipment and household hazardous waste.

Electronics collections are a response to the glut of old computers and electronic equipment possessed by residents. Many residents are reluctant to dispose of these materials and have no place available for recycling. SWANCC co-sponsored a collection in the Village of Skokie in September 2001. This event recycled over 16 tons of old electronic equipment. In July 2001, the Agency co-sponsored two collections, one in Arlington Heights and one in Schaumburg, that recycled over 72 tons of material.

Household Hazardous Waste (HHW) events are extremely popular in the SWANCC region. SWANCC co-sponsors these events with the Illinois Environmental Protection Agency (IEPA) and a host community (or communities). Funding from SWANCC leverages the selection of the host community by the IEPA. SWANCC was able to co-sponsor two HHW collections in FY 2002, one in Hoffman Estates and one in Wilmette. These two events helped keep potentially hazardous material out of the landfill or sewer systems.

EDUCATIONAL PROGRAMS

SWANCC offers numerous educational programs to schools in the region. Approximately 1,200 superintendents, principals, teachers, librarians, PTA presidents, environmental committee chairpersons and other interested parties receive the *Waste Ed* newsletter four times during the school year. Detailed listings of schools participating in SWANCC programs can be found on SWANCC's website at www.swancc.org. SWANCC's educational programs and components include:

April Environmental Calendar - SWANCC distributed 70,500 April 2002

Environmental Awareness calendars. Fifteen SWANCC communities ordered copies of the calendar with most of the listed communities opting to print community-specific program information on the reverse side of the calendar, and most distributed the calendar to school children. This is the tenth year that SWANCC offered the calendar to its members at no cost.

"Art of Garbage" Project - SWANCC repeated its "Art of Garbage" project for the seventh year. A total of 13 schools participated in this year's event. The 20" x 24" posters, bearing a waste reduc-

SWANCC's PTA Representatives Workshop



tion theme and made from variety of materials, are framed and currently hang in the visitor gallery at the Glenview Transfer Station.

Earth Flag Program - During spring 2002, SWANCC began award ceremonies for its six FY 2002 Earth Flag schools. To qualify for the 3' x 5' nylon flag featuring the image of the Earth as taken from the Apollo 17, a school must hold a school-wide source reduction activity (such as having waste-free lunch days), hold a school-wide reuse activity (such as a book exchange), recycle at least white paper and allow SWANCC staff to give 45-minute presentations to one entire grade level of students and the entire faculty.

Earth Flag Extension Program - Eight schools participated in SWANCC's Earth Flag Extension program during FY 2002, a program that recognizes Earth Flag schools that demonstrate an ongoing commitment to waste reduction.

Earth Plaque Program - In FY 2002, SWANCC offered the Earth Plaque program to schools completing Earth Flag and Earth Flag Extension programs. New challenges are set to practice waste reduction in order for a school to receive a year bar that is put on the school's existing Earth plaque. Eleven schools achieved this award.

Kraft Bag Program - Kraft handle bags were given to 43 schools (K-12) for "locker clean-out" activities during spring 2002. The sturdy, informational bags provided a solution to school-end locker and desk leftovers. Students were encouraged to take home school supplies, clothing items, moldy lunch containers, etc. Each Kraft bag listed SWANCC's twenty-three members on one side and featured a check list of items to be taken home or returned to school, as well as a list of non-profit organizations and agencies to donate unwanted things to on the reverse side. Interesting recycling facts and school recycling program information are listed on the inseams of each bag.

Recycled-Content Products Kits - SWANCC's three Recycled-Content Products Kits, containing more than 50 recycled-content items, traveled to area schools and municipalities during FY 2002. Schools or municipalities can borrow a kit from one day to two weeks. Index cards containing information about each item make it easy to display the recycled products in a case or on a table.

Recycled Products Resource Listing Guide - The Recycled Products Resource Listing Guide was updated and reprinted during FY 2002, which contains referrals for recycled-content product suppliers, waste reduction oriented products and web sites for Agencies and institutions providing free environmental materials and resources to educators.

SWANCC Kraft Bags in Action



SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Recycled Fashion Show - During FY 2002, a number of area high schools and civic groups hosted SWANCC's Recycled Fashion Show. This show requires 21 models and features more than thirty pieces of clothing and accessories all made, at least in part, from recycled plastic.

Waste Reduction Grants - In FY 2002, SWANCC gave waste reduction grant funds to 22 SWANCC-area schools. The grants, for \$200 or less, were used to purchase waste reduction equipment such as classroom recycling bins, worm composting bins, white erase boards, can crushers, etc.

Glenview Transfer Station Field Trips - SWANCC continued to offer no-cost field trip tours of the Glenview Transfer Station during FY 2002. Over 600 people of all ages toured the facility during the fiscal year.

Old Shoe Recycling - In spring 2002, old gym shoes were collected from 47 SWANCC-area schools for Nike's Reuse-A-Shoe program. Old athletic shoes are ground up and used as material for new running tracks.

ADMINISTRATION

The Agency is governed by a Board of Directors consisting of one director elected by each member municipality. Each municipality also elects one or more alternate directors; however, each municipality may only cast one vote when appropriate at Board meetings regardless of whether both the director and any alternates are present.

Board of Directors

The Board of Directors establishes general policies of the Agency, makes all appropriations, approves contracts for solid waste disposal and all Project Use Agreements, adopts resolutions providing for the issuance of bonds or notes by the Agency, adopts by-laws, rules and regulations and exercises these powers and duties as outlined in the Agency By-Laws or the Agency Agreement. The SWANCC Board of Directors meet on the second Wednesday of each month at 6:00 p.m.

Those serving as Agency Officers through April 30, 2002, include the following:

Chairman

George Van Dusen, Mayor, Village of Skokie

Vice-Chairman

Ronald Wietecha, Mayor, City of Park Ridge

Secretary/Treasurer

William R. Balling, Manager, Village of Buffalo Grove

Those serving on the Board of Directors through April 30, 2002, include the following:

Village of Arlington Heights
Arlene Mulder, President, Director
William Dixon, Manager, Alt. Director

Village of Barrington
Robert R. Irvin, Manager, Director
Marshall S. Reagle, President, Alt. Director

Village of Buffalo Grove
Elliott Hartstein, President, Director
William Balling, Manager, Alt. Director

Village of Elk Grove Village
Craig Johnson, President, Director
Gary Parrin, Manager, Alt. Director
James P. Petri, Trustee, Alt. Director
Chris Prochno, Trustee, Alt. Director

City of Evanston
Edmund Moran, Jr., Alderman, Director
Roger Crum, Manager, Alt. Director

Village of Glencoe
Anthony J. Ruzicka, Jr., President, Director
Paul M. Harlow, Manager, Alt. Director
Robert Paley, Trustee, Alt. Director

Village of Glenview
Lawrence R. Carlson, President, Director
Paul McCarthy, Manager, Alt. Director

Village of Hoffman Estates
James H. Norris, Manager, Director
William McLeod, President, Alt. Director
Board of Trustees, Alt. Directors

Village of Inverness
John Willis, Trustee, Director
Curt Carver, Administrator, Alt. Director

Village of Kenilworth
W. John McGinnis, Trustee, Director
Max Slankard, Manager, Alt. Director

Board of Directors - Continued

Village of Lincolnwood

Peter Moy, President, Director

Robert Bocwinski, Administrator, Alt. Director

Village of Morton Grove

Theresa Hoffman Liston, Trustee, Director

Joe Weiss, Trustee, Alt. Director

Village of Mount Prospect

Timothy Corcoran, Trustee, Director

Gerald "Skip" Farley, President, Alt. Director

Paul Hoefert, Trustee, Alt. Director

Village of Niles

Louella Preston, Trustee, Director

Abe Selman, Manager, Alt. Director

Board of Trustees, Alt. Directors

Village of Palatine

Rita Mullins, Mayor, Director

Michael J. Cassidy, Manager, Alt. Director

City of Park Ridge

Ronald Wietecha, Mayor, Director

Frank DePaul, Alderman, Alt. Director

City of Prospect Heights

Edward Rotchford, Mayor, Director

Thomas O'Donoghue, Alderman, Alt. Director

City of Rolling Meadows

Thomas Menzel, Mayor, Director

Thomas M. Melena, Manager, Alt. Director

Village of Skokie

George Van Dusen, Mayor, Director

Albert Rigoni, Manager, Alt. Director

Village of South Barrington

David L. Pierce, Manager, Director

Board of Directors - Continued

Village of Wheeling
Greg Klatecki, President, Director
James Grabowski, Acting Manager, Alt. Director
Board of Trustees, Alt. Directors

Village of Wilmette
Mike Earl, Manager, Director
Nancy Canafax, President, Alt. Director

Village of Winnetka
Michael F. Duhl, President, Director
Douglas Williams, Manager, Alt. Director

Executive Committee

The Executive Committee of the Agency consists of seven members of the Board of Directors. Executive Committee members are elected by the Board, and alternate directors may be elected with the consent of the applicable Board member. Each member of the Executive Committee is entitled to one vote on the Committee. The Executive Committee may take any action not specifically reserved to the Board of Directors by the Act, the Agency Agreement or the By-Laws.

The SWANCC Executive Committee generally meets on the fourth Wednesday of each month at 8:30 a.m. Executive Committee meetings are held at the Glenview Transfer Station, Three Providence Drive, Glenview. Those serving on the Executive Committee are:

Chairman

William Balling, Manager, Village of Buffalo Grove

Albert J. Rigoni, Manager, Village of Skokie

Timothy Corcoran, Trustee, Village of Mount Prospect

Edward Rotchford, Mayor, City of Prospect Heights

William Dixon, Manager, Village of Arlington Heights

Douglas Williams, Manager, Village of Winnetka

Ronald Wietecha, Mayor, City of Park Ridge

Staff

The day-to-day operations of the Agency are administered by five professionals employed by the Agency.

C. Brooke Beal - Executive Director of the Agency
Steven Schilling, P.E. - Assistant Executive Director
Mary S. Allen - Recycling and Education Director
Elizabeth Gresham - Executive Secretary
Leslie Handler – Education Coordinator

**SOLID WASTE AGENCY OF NORTHERN
COOK COUNTY**

Des Plaines, Illinois

Financial Statements

April 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

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SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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303 East Wacker Drive
Chicago, IL 60601

Independent Auditors' Report

The Board of Directors
Solid Waste Agency of Northern
Cook County
Des Plaines, Illinois:

We have audited the accompanying balance sheets of the Solid Waste Agency of Northern Cook County (the Agency) as of April 30, 2002 and 2001 and the related statements of operations, changes in fund equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

June 28, 2002



SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Balance Sheets

April 30, 2002 and 2001

Assets	2002	2001
	2002	2001
Current assets:		
Cash and cash equivalents	\$ 20,442,128	3,544,566
Accounts receivable – financing members	502,577	404,696
Accounts receivable – other	1,616,963	574,893
Restricted cash and investments:		
Operation and maintenance account:		
Cash and cash equivalents	1,067,476	916,788
Residual account:		
Cash and cash equivalents	1,526,759	2,962,066
Investments	3,772,840	2,133,690
Total current assets	28,928,743	10,536,699
Restricted cash and investments – debt service account:		
Cash and cash equivalents	5,594,914	5,637,623
Investments	5,281,353	5,281,353
Accrued interest receivable	181,117	—
Total restricted assets	11,057,384	10,918,976
Property, plant, and equipment:		
WTTTS land	1,600,000	1,600,000
Balefill land	4,430,948	8,997,000
Transfer station building	16,144,567	16,144,567
Transfer station baling equipment	2,465,641	2,465,641
Furniture, fixtures, and equipment	5,955	5,955
	24,647,111	29,213,163
Accumulated depreciation	(4,188,276)	(3,680,092)
Net property, plant, and equipment and balefill	20,458,835	25,533,071
Debt issuance costs, net	858,313	997,416
Total assets	\$ 61,303,275	47,986,162

See accompanying notes to financial statements.

Liabilities and Fund Equity (Deficit)	2002	2001
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,135,194	1,416,824
Current portion of long-term debt	2,770,000	2,620,000
Due to members	22,426	534,850
Accrued interest payable	1,627,419	1,785,345
Deferred revenue	1,311,758	1,422,207
Total current liabilities	<u>7,866,797</u>	<u>7,779,226</u>
Long-term liabilities:		
Long-term debt, less current portion	51,868,774	57,286,039
Unamortized loss on refunding	(1,618,906)	(1,772,863)
Total long-term liabilities	<u>50,249,868</u>	<u>55,513,176</u>
Total liabilities	<u>58,116,665</u>	<u>63,292,402</u>
Fund equity (deficit):		
Contributed capital	4,723,340	4,723,340
Accumulated deficit	(1,536,730)	(20,029,580)
Total fund equity (deficit)	3,186,610	(15,306,240)
Commitments and contingencies		
Total liabilities and fund equity (deficit)	<u>\$ 61,303,275</u>	<u>47,986,162</u>

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Statements of Operations

Years ended April 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Transfer station operations:		
Revenues – charges to member communities	\$ 18,710,867	16,994,143
Expenses – transfer station operations	<u>(12,178,687)</u>	<u>(10,970,758)</u>
Operating profit from transfer station operations	6,532,180	6,023,385
General and administrative	(1,271,906)	(1,638,831)
Depreciation	<u>(508,184)</u>	<u>(508,184)</u>
Operating income	<u>4,752,090</u>	<u>3,876,370</u>
Nonoperating income (expense):		
Interest income	667,644	867,179
Interest expense	(3,594,365)	(3,917,883)
Amortization of bond issuance costs	(139,103)	(149,001)
Miscellaneous income	135,862	144,214
Gain on sale of balefill land	16,531,572	984,056
Realized and unrealized gains on investments	<u>139,150</u>	<u>182,728</u>
Total nonoperating revenue (expenses), net	<u>13,740,760</u>	<u>(1,888,707)</u>
Net income	<u>\$ 18,492,850</u>	<u>1,987,663</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Statements of Changes in Fund Equity (Deficit)

Years ended April 30, 2002 and 2001

	<u>Contributed capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at April 30, 2000	\$ 4,723,340	(22,017,243)	(17,293,903)
Net income	—	1,987,663	1,987,663
Balance at April 30, 2001	4,723,340	(20,029,580)	(15,306,240)
Net income	—	18,492,850	18,492,850
Balance at April 30, 2002	\$ <u>4,723,340</u>	<u>(1,536,730)</u>	<u>3,186,610</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Statements of Cash Flows

Years ended April 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net operating income	\$ 4,752,090	3,876,370
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	508,184	508,184
Changes in assets and liabilities:		
Accounts receivable – financing members	(97,881)	358,561
Accounts receivable – other	(1,042,070)	(277,226)
Accounts payable and accrued expenses	718,370	38,090
Deferred revenue and due to members	(622,873)	(35,870)
Net cash provided by operating activities	<u>4,215,820</u>	<u>4,468,109</u>
Cash flows from noncapital and related financing activities:		
Other nonoperating income	<u>135,862</u>	<u>144,214</u>
Cash flows from capital and related financing activities:		
Bond principal payments	(2,620,000)	(2,500,000)
Deposit with bond escrow agent	(2,832,834)	—
Interest payments	<u>(3,412,765)</u>	<u>(3,510,448)</u>
Net cash used in capital and related financing activities	<u>(8,865,599)</u>	<u>(6,010,448)</u>
Cash flows from investing activities:		
Gross change in investments	(1,500,000)	894,999
Proceeds from sale of balefill land	21,097,624	2,584,055
Interest income	<u>486,527</u>	<u>870,573</u>
Net cash provided by investing activities	<u>20,084,151</u>	<u>4,349,627</u>
Net increase in cash and cash equivalents	15,570,234	2,951,502
Cash and cash equivalents at beginning of year	<u>13,061,043</u>	<u>10,109,541</u>
Cash and cash equivalents at end of year	<u>\$ 28,631,277</u>	<u>13,061,043</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2002 and 2001

(1) Organization

The Solid Waste Agency of Northern Cook County (the Agency) is a municipal joint action agency created as of May 2, 1988 under the provisions of the Intergovernment Cooperation Act, 5 ILLCS 220/3.2 (the Act). The Agency is empowered to plan, finance, construct, and operate a solid waste disposal system. The Agency has initiated action to meet its intentions to acquire equipment and to construct and equip a waste project (the Project) to dispose of the municipal waste received from its members. The Project consists of a transfer station in the Village of Glenview.

The Wheeling Township transfer station commenced operations February 1, 1994. Pursuant to the Project Use Agreements described below, charges to the member communities using the Wheeling Township transfer station at April 30, 2002 and 2001, resulted in a charges of approximately \$44 per ton.

The Agency consists of the following 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	

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 policy 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.

The authority to designate management, influence operations, and formulate budgets rests with the board of directors and Executive Committee. Criteria have been developed to determine whether other entities with activities that affect the Agency should be included within its financial reporting entity. The criteria include but are not limited to whether the Agency has governing or fiscal control or accountability for other entities. No other entity meets these criteria, and none is included within the Agency's reporting entity. In addition, no one member has the ability to significantly influence operations; therefore, the Agency is not a component unit of any other governmental reporting entity.

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Each member community was obligated under an agreement with the Agency to pay its pro rata share of the principal and interest on the 1990 Notes (based on the population of that member) and of any equity contribution imposed by the Agency, which was imposed through November 1, 1994, on those member communities which were members of the Agency at the time of issuance of the 1990 Notes. The 1990 Notes were fully repaid by November 1, 1994. Those communities that executed the long-term Project Use Agreement in connection with the issuance of the 1992 Contract Revenue Bonds had their share of principal and interest on the 1990 Notes and equity contributions paid for by the Agency in conjunction with that issuance.

In connection with the 1992 Bonds, member communities are obligated under Project Use Agreements with the Agency to pay their allocable share of the Project costs (as defined). Three original member communities did not enter into the long-term Project Use Agreement and were obligated for their share of the 1990 Notes (aggregating \$2,001,145) and any equity contribution. In fiscal 1995, the three member communities' pro rata share of the principal and interest of the 1990 Notes was \$360,710. In addition, during 1995 these three member communities were assessed \$74,107, as their share of the required equity contribution. Such amounts have been recorded as contributed capital.

(2) Significant Accounting Policies

The accounting policies for the Agency, as reflected in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America applicable to proprietary funds of governmental units. The Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 20 which requires the Agency to apply accounting pronouncements not addressed by GASB prior to December 1, 1989. All pronouncements subsequent to this time will not be implemented unless addressed by GASB.

(a) Basis of Accounting

The financial records are maintained utilizing the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency was being accounted for as a development stage enterprise through February 1, 1994 (date the Wheeling Township Transfer Station commenced operations); therefore, all costs incurred through that date in connection with the development of the Project have been capitalized. Since February 1, 1994, direct expenses for the balefill site and its share of net interest costs have been capitalized and included in the cost of the balefill (see note 6).

Deposits in The Illinois Funds (money market) are reflected in cash and cash equivalents in the accompanying financial statements. Restricted investments consist of U.S. Government securities and a repurchase agreement, and are stated at fair value.

Discount on long-term debt is amortized as additional interest expense on the straight-line method over the term of the debt. Amortization expense for the years ended April 30, 2002 and 2001 was \$77,735 and \$86,599, respectively.

Through April 30, 1998, interest, net of related interest income, and amortization of long-term debt issuance costs incurred in connection with development of the Project were capitalized as a cost of the Project and would be amortized over the estimated useful life of the Project upon completion.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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Effective May 1, 1998, the Agency ceased capitalizing such costs due to the decision of the United States Court of Appeals for the Seventh Circuit (see note 6).

(b) Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the plant and equipment as follows:

	<u>Years</u>
Transfer station building	38
Transfer station baling equipment	30
Furniture, fixtures, and equipment	5

Maintenance and repair expenses are charged to operations as incurred. Significant costs of improvements are capitalized as part of property, plant, and equipment.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

(d) Reclassifications

Certain 2001 amounts have been reclassified to conform with the 2002 presentation.

(e) Deferred Revenue

Payments from member communities due in subsequent years are received in the current year are reported as deferred revenue.

(f) Use of Estimates

Management of the Agency has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities and the amounts of revenues and expenses to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(g) New Accounting Pronouncements

GASB recently issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The Agency has not elected early implementation of this statement in 2002. The Agency is required to implement GASB Statement No. 34 for the year ended April 30, 2004. The Agency has not completed the process of evaluating the impact of adopting this statement, and therefore is unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statement is implemented.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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(3) Cash and Investments

Investments

Under Illinois law the Agency is restricted to investing funds in direct or fully guaranteed obligations of the U.S. Government; interest-bearing demand or time deposits in banks and savings and loan associations, whose deposits are fully insured up to \$100,000 by the Federal Depository Insurance Corporation; commercial paper of U.S. corporations with assets exceeding \$500,000,000 rated in the highest classification by at least two rating agencies; insured accounts of an Illinois credit union chartered under United States or Illinois law; money market mutual funds whose portfolios consist solely of U.S. Government obligations or agreements to repurchase these same types of obligations; the Illinois Funds (money market); and repurchase agreements which meet instrument transaction requirements of Illinois law.

Bank Deposits

The carrying amounts and bank balances of the Agency's deposits were \$734,916 and \$737,690, respectively, at April 30, 2002 and \$162,979 and \$201,943, respectively, at April 30, 2001. The bank balances of \$737,690 and \$201,943 at April 30, 2002 and 2001, respectively, were covered by the Federal Depository Insurance Corporation or collateralized.

Investments

A summary of the Agency's investments at April 30, 2002 and 2001 is as follows:

	<u>2002</u>		<u>2001</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
U.S. Government securities fully guaranteed by the U.S. Government and held by the Trustee in the Agency's name	\$ 12,804,390	12,804,390	16,241,103	16,241,103
Uncategorized investments:				
The Illinois Funds	5,207	5,207	5,062	5,062
Illinois Metropolitan Investment Fund	3,772,840	3,772,840	2,133,690	2,133,690
Mutual Funds	<u>20,365,343</u>	<u>20,365,343</u>	<u>1,894,288</u>	<u>1,894,288</u>
	<u>\$ 36,947,780</u>	<u>36,947,780</u>	<u>20,274,143</u>	<u>20,274,143</u>

In accordance with the Agency's investment policy, the Agency invests in the Illinois Funds, which is an external investment pool administered by the Illinois State Treasurer, and the Illinois Metropolitan Investment Fund, which is governed by a board of trustees consisting of seven members. Although not subject to regulatory oversight, the funds are administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235. The fair value of the Agency's portion in these funds is equal to the recorded value of the pool shares.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

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(4) Long-term Debt

Long-term debt consists of the following at April 30, 2002 and 2001:

	2002	2001
\$55,650,000 Contract Revenue Bonds, Series 1992, bearing interest at 5.65% to 6.65%, maturing 1998 to 2015	\$ 24,635,000	28,855,000
\$4,400,000 Contract Revenue Bonds, Series 1994, bearing interest at 4.50% to 5.55%, maturing 2000 to 2015	3,430,000	4,220,000
\$29,085,000 Contract Revenue Bonds, Series 1995A, bearing interest at 4.50% to 6.00%, maturing 2000 to 2015	27,090,000	27,425,000
	55,155,000	60,500,000
Less unamortized discount	516,226	593,961
Long-term debt	\$ 54,638,774	59,906,039

The resolutions authorizing the issuance of the 1995, 1994, and 1992 Bonds provide for the establishment of the following accounts to which the net proceeds were deposited:

Acquisition and Construction Account – Amounts deposited in this account may be used to pay the costs of construction, financing expenses, prior note refundings, and debt service on the 1995, 1994, and 1992 Bonds if a deficiency exists in the Debt Service Account. Any excess funds in this account are to be transferred to the Debt Service Account.

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

Operation and Maintenance Account – Amounts deposited in this account are used to pay those costs of the project which vary as a function of the amount of waste delivered to the project and do not constitute fixed costs.

Debt Service Account – Amounts deposited in this account are used to pay principal of and interest on the 1995, 1994, and 1992 Bonds. To the extent available, excess funds on deposit in the Acquisition and Construction Account are to be transferred to this account.

Subordinated Indebtedness Account – Amounts are deposited in this account as required to pay principal or sinking fund installments of and interest on each issue of subordinated indebtedness.

Environmental Account – Amounts deposited may, upon a determination of the Agency, be applied to the payment of such claims, losses, damages, liabilities, reparations, or reimbursements which may be required to be covered pursuant to conditions in permits, community mitigation agreements, or state or federal law.

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Renewal and Replacement Account – Amounts deposited may be applied to the payment of the costs of renewals, replacements, repairs, and other extraordinary operation and maintenance expenses to the extent not paid from the Operation and Maintenance Account.

Self-Insurance Account – Amounts deposited may be applied to the payment of claims or losses to the extent not covered by an insurance policy or surety bond.

Rebate Account – The Agency is to make transfers from the Revenue Account to the Rebate Account to the extent required to maintain the tax-exempt status of the interest paid on the 1995, 1994, and 1992 Bonds in accordance with the Tax Exemption Certificate and Agreement.

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.

Proceeds from the 1992 Bonds were used to refund a portion of the 1990 Notes, to finance construction of the Wheeling Township Transfer Station (Transfer Station), to finance part of the design and initial costs of the remaining components of the Project, to pay capitalized interest on a portion of the 1992 Bonds, to fund the Debt Service Reserve account in an amount equal to the maximum annual aggregate debt service on the 1992 Bonds, to fund the Operation and Maintenance Account in the amount of \$1,000,000, and to pay costs of issuance.

Proceeds from the 1994 Bonds were used to refund a portion of the 1990 Notes, to fund a debt service reserve account, to fund capitalized interest through January 1, 1996, and to pay costs of issuance. The Agency placed certain of the proceeds from the subsequent debt issues in an irrevocable trust to provide for future debt service payments on the 1990 Notes.

On January 4, 1996, the Agency issued \$29,085,000 of Contract Revenue Bonds, Series 1995A (the 1995A Bonds) which were issued as private activity bonds. The Agency also issued \$1,810,000 of Contract Revenue Bonds, Series 1995B (the 1995B Bonds) which were issued as taxable bonds. The 1995 Bonds were issued for the purposes of purchasing or providing for the payment of those 1992 Bonds allocable to the Transfer Station in connection with the proposed change of use of the Transfer Station by the Agency. The Agency has elected to change the use of the Transfer Station under the Internal Revenue Code to permit it to enter into a long-term contract for private operation of the Transfer Station and hauling and disposal of member waste as well as to implement one or more contracts with private parties for delivery of waste to the Transfer Station. Proceeds from the 1995A Bonds and 1995B Bonds were used to purchase a portion of the 1992 Notes, to fund a debt service reserve account, and to pay costs of issuance. The transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$3,300,000. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through year 2015 using the effective interest method.

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During the year ended April 30, 2002, the Agency defeased \$2,125,000 of its Contract Revenue Bonds, Series 1992, and \$600,000 of its Contract Revenue Bonds, Series 1994. The difference between the carrying amount of the reacquisition price and the net carrying amount of the old debt amounted to approximately \$108,000. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through year 2015.

Amortization expense of the unamortized loss on refunding for the years ended April 30, 2002 and 2001 was \$261,792 and \$266,438, respectively.

The annual requirements to amortize all debt outstanding as of April 30, 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending April 30:			
2003	\$ 2,770,000	3,420,650	6,190,650
2004	2,935,000	3,256,850	6,191,850
2005	3,110,000	3,083,060	6,193,060
2006	3,295,000	2,896,075	6,191,075
2007	3,495,000	2,693,780	6,188,780
Thereafter	<u>39,550,000</u>	<u>16,160,305</u>	<u>55,710,305</u>
	\$ <u><u>55,155,000</u></u>	<u><u>31,510,720</u></u>	<u><u>86,665,720</u></u>

(5) Commitments

Effective May 1, 1995, the Agency and Groot executed a new, long-term contract, by which Groot will operate the Wheeling Township Transfer Station until April 30, 2014 and provide for processing, hauling, and disposal of waste delivered to the Wheeling Township Transfer Station. Both the Agency and Groot have a one-time option to terminate this contract on April 30, 2009. If the Agency terminates the operation and maintenance and hauling components of the contract, the Agency is required to pay \$250,000 per year to Groot for as long as the disposal services are provided under the contract. Additionally, the Agency has the option, at any time, to terminate the disposal component of the contract, if the proposed balefill or other cost-effective waste disposal technologies become available. Payments to Groot for the years ended April 30, 2002 and 2001 totaled \$10,818,790 and \$10,115,962 respectively.

(6) Contingent Liabilities

On July 21, 1994, the Chicago District of the United States Army Corps of Engineers denied the Agency's request for a permit to fill waters of the United States on the balefill property pursuant to the provisions of Section 404 of the Clean Water Act. The Agency challenged the Army's decision in the United States District Court. On April 16, 1998, the trial court denied the Agency's motion and granted the Army's motion for partial summary judgment with respect to the Agency's challenge to the Army's jurisdiction over the balefill site.

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On October 7, 1999, the United States Court of Appeals for the Seventh Circuit affirmed the trial court's holding that the Army properly exercised jurisdiction over the balefill property. On May 22, 2000, the United States Supreme Court granted the Agency's petition certiorari. The balefill site cannot be developed as planned by the Agency unless the courts overturn the Army's decision. Should the Agency not be able to develop all or a portion of the balefill site in its currently proposed manner, accounting principles generally accepted in the United States of America would require the Project's carrying value be adjusted to net realizable value. Due to the adverse court rulings, an adjustment was recorded in 1999 in the financial statements to record the Project's carrying value to its net realizable value. Such adjustment amounted to a charge of \$21,098,753 during fiscal year 1999 and was determined from an analysis prepared by management.

On January 9, 2001, the U.S. Supreme Court ruled in favor of the Agency and reversed the U.S. Court of Appeals for the Seventh Circuit's decision. On May 14, 2001, the case was dismissed.

(7) Sale of Land

On March 21, 2001, the Agency made three separate sales of balefill land to three separate purchasers. Net sales proceeds amounted to approximately \$2,584,000. During 2001, the Agency recorded a gain on sale of balefill land of approximately \$984,000, which is included in the accompanying 2001 statement of operations.

In December, 2001, the Agency sold 284 acres of balefill property to the State of Illinois for approximately \$20,983,000, leaving the Agency with 125.66 acres of land which could not be developed as a balefill. During 2002, the Agency recorded a gain on sale of balefill land of approximately \$16,532,000, which is included in the accompanying 2002 statement of operations.

(8) Subsequent Event

During July 2002, the Agency defeased \$22,100,000 of its Contract Revenue Bonds, Series 1995A.

The Agency has entered into negotiations to sell 125.66 acres of balefill property.

SWANCC MEMBER COMMUNITIES

Village of Arlington Heights
Village of Barrington
Village of Buffalo Grove
Village of Elk Grove Village
City of Evanston
Village of Glencoe
Village of Glenview
Village of Hoffman Estates
Village of Inverness
Village of Kenilworth
Village of Lincolnwood
Village of Morton Grove

Village of Mount Prospect
Village of Niles
Village of Palatine
City of Park Ridge
City of Prospect Heights
City of Rolling Meadows
Village of Skokie
Village of South Barrington
Village of Wheeling
Village of Wilmette
Village of Winnetka

The Solid Waste Agency of Northern Cook County (SWANCC) is a unit of local government and a not-for-profit corporation. Twenty-three communities in northern Cook County joined together to form SWANCC in 1988. SWANCC developed a long-term plan to manage the region's municipal solid waste that was adopted by its Board of Directors in 1991. Since then, SWANCC has been at work implementing this economically stable and environmentally safe solution to the region's solid waste management needs.



Solid Waste Agency of Northern Cook County

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