

Fiscal Year 2003

Annual Report and Audited Financial Statements

May 1, 2002 to April 30, 2003



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.

This Annual Report covers the Agency's Fiscal Year 2003 beginning on May 1, 2002 and ending on April 30, 2003.

Financial Results

The Agency is funded solely by its members through monthly payments made in accordance with each member's Project Use Agreement. 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.

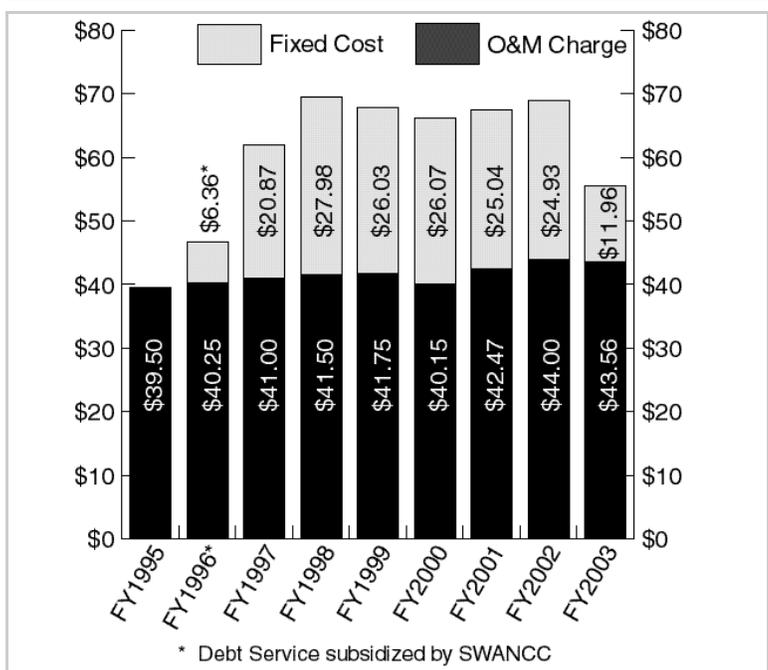
Audited financial statements are included at the end of this Annual Report.

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 FY2003 was budgeted at \$44.00 per ton based on members delivering 255,123 tons of waste to the GTS. This was the seventh consecutive year that the O&M charge has been budgeted at \$44.00 per ton. Unfortunately, increased costs and higher landfill taxes have resulted in a budgeted O&M charge of \$46.00 per ton in FY2004.

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 FY2003 budget set the fixed cost charge at \$17.70 per ton, \$7.23 (29%)

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



Solid Waste Agency of Northern Cook County

less than FY2002. Two months into FY2003, the Agency's budget was amended to reduce the fixed cost charge to \$11.96 per ton, a 52% reduction from the FY2002 rate. This reduction was a result of the defeasance and refinancing of the Agency's debt. Members are billed for this fixed charge along with their O&M charge.

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 \$11.96 per ton. Members that over-delivered are billed an additional \$11.96 per ton for each ton over their commitment. Those that under-delivered will get a rebate of \$11.96 per ton for the amount under their commitment.

After accounting for all costs incurred by the Agency in FY2002, the actual O&M charge was \$43.56 per ton, \$0.44 lower than the budgeted value. Individual members may see a credit or a debit depending on the magnitude of their actual waste deliveries.

Since FY1997, the Agency has operated within its budget and has returned over \$3,644,000 in excess revenues back to the members. Chart 1 on the previous page shows the historical fixed costs and O&M costs charged by the Agency.

Balefill Project Conclusion

The Northwest Cook County Balefill was a 142-acre disposal site proposed to be located on an abandoned strip-mine in unincorporated Cook County. The Balefill proposal received approval from Cook County and the Illinois Environmental Protection Agency. SWANCC also filed two Section 404 Clean Water Act permit applications with the Army Corps of Engineers to fill 17 acres of isolated intermittent ponds 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 waters on the site through its "Migratory Bird Rule".

On May 21, 1998, SWANCC appealed the United States Federal District Court's decision to uphold the United States Army Corps of Engineers jurisdiction over the Balefill property. The case was briefed during FY1999, 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 court's 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,

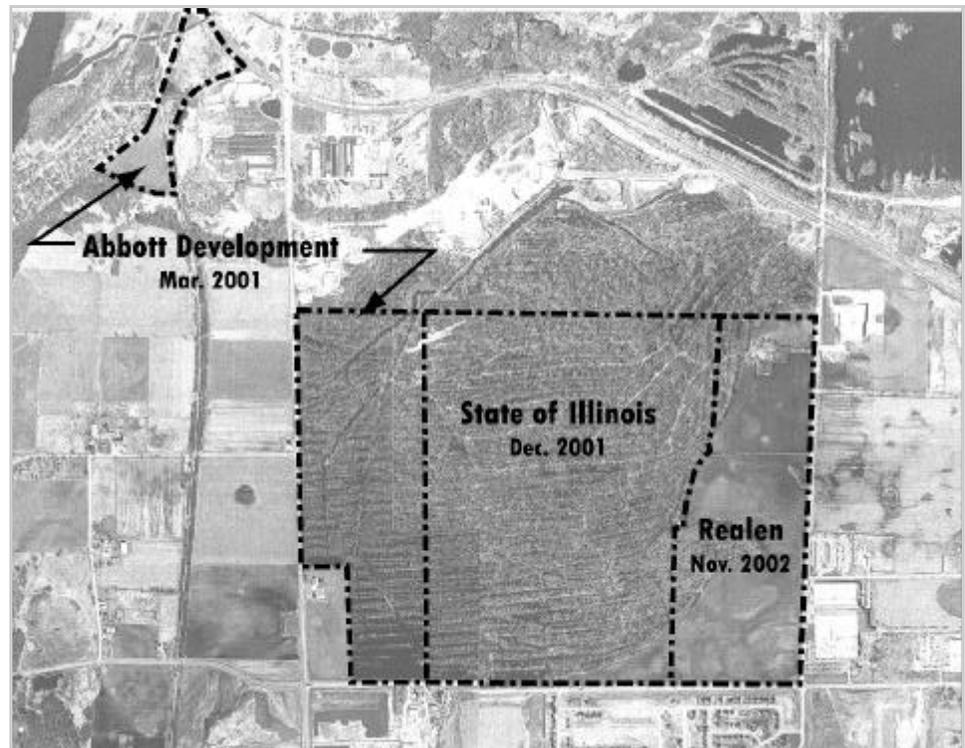
We conclude that the "Migratory Bird Rule" is not fairly supported by the Clean Water Act.

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 a portion of 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 closed on November 5, 2002. In total, the Agency received \$36,850,480 for the Balefill properties. Total project costs were \$32,580,383 resulting in a net gain of \$4,270,097. The proceeds from the land sales were used to reduce the Agency's debt.

While the Agency recouped all its costs in the project (even recording a modest profit), the Agency was left without this significant public works project that would have resulted in savings to the members in excess of \$100 million over the life of the facility.

Map Showing SWANCC Balefill Asset Sales



Glenview Transfer Station

The Glenview Transfer Station (GTS) is the Agency’s flagship solid waste transfer facility located in Glenview, Illinois. It is an 85,000 square-foot facility that can handle over 1,600 tons of municipal solid waste each day. The purpose of the GTS is to provide member communities with a centralized dumping location that allows refuse collection vehicles to tip their load and quickly return to their collection routes. At the GTS, refuse is baled and loaded into semi-trailers for transport to the landfill. Using this system, the refuse from three collection vehicles can be loaded onto a single trailer.

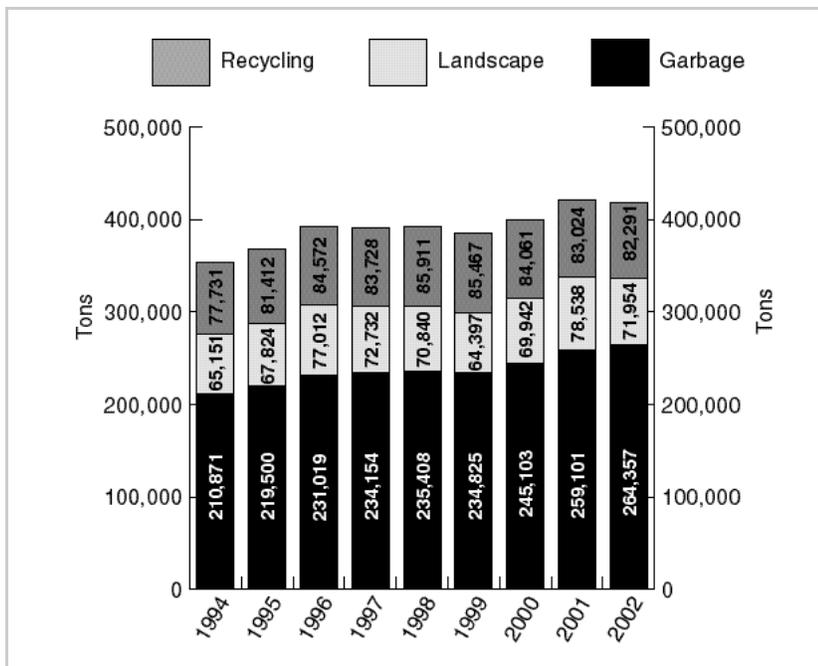
In FY2003, member communities delivered a total of 270,904 tons of municipal solid waste to the transfer station. This is a decrease of 521 tons (0.2%) from FY2002. The decrease can be attributed to decreases in per capita waste generation due to the slowing economic growth. Per capita waste generation grows during periods of high consumer confidence.

A total of 9,061 tons of non-member solid waste was delivered to the transfer station by refuse haulers, contractors, and private citizens. The transfer station also handled 20,093 tons of landscape waste in FY2003. Landscape waste is processed separately from the solid waste and is transported to a composting facility for recycling. These combined deliveries resulted in \$136,254 in revenues for the Agency.

Recycling

Recycling by member communities is tracked by Agency staff using a specialized software package called WasteCalc. Data provided by communities and waste haulers to generate calendar

Chart 2 - 2002 Calendar Year Member Waste Generation



year statistics. A calendar year basis is used to avoid confusion with the public when releasing recycling data. The following discussion of recycling is for the calendar year 2002. See Chart 2 for a historical look at waste generation numbers.

A primary goal of the Agency’s Solid Waste Management Plan is to recycle as much of our garbage as possible. Since 1995, SWANCC communities have recycled over 670,000 tons of recyclable material with their curbside recycling programs. While saving over two years of landfill space, member communities have also avoided nearly \$28 million in disposal fees.

These numbers clearly illustrate the importance of curbside recycling programs. Unfortunately, recycling has not kept pace with the growth in waste generation. In 2002, member communities recycled 82,291 tons of material compared to 85,911 tons in 1998 (down 4.2%). During the same period, the amount of waste landfilled increased from 235,408 tons to 259,101 tons (up 10.1%).

Agency staff has identified flaws in the collection system for recyclable material. Programs using 18-gallon recycling bins do not have enough space for the amount of recyclables generated by residents. Programs that are switching to a 65-gallon cart for recycling are maximizing the collection of recyclables by giving the resident sufficient space for their material. These programs are popular due to the ease of use and cleanliness of the system. It is believed that as more communities switch to cart programs, the amount of material collected will reverse its trend and begin rising.

Community Outreach

SWANCC conducts numerous community outreach programs that benefit member communities. The most popular program is the special collections that are cosponsored by the Agency. During FY2003, the Agency cosponsored one Household Hazardous Waste collection and one Computer/Electronics Recycling collection. These types of collections are the single largest generator of inquiries to the Agency from the public.

The Agency communicates to the public a number of ways. SWANCC's website at www.swancc.org is continuously updated to provide accurate and timely information for the public and member communities. In April 2003, the Agency published a newsletter called Recycling Etc. This newsletter provides information regarding recycling, special collections and other SWANCC programs. Over 250,000 copies were distributed directly to residents as an insert in the Sunday Chicago Tribune and the Tribune's direct mail Local Values. Finally, Agency staff responds to numerous phone calls and emails from the public on a daily basis.

Member communities rely on the Agency to provide expertise with solid waste related issues. In FY2003, the Agency completed a pilot project show the benefits of using 65-gallon carts for recycling collection. Members were also provided with special recycling containers to be placed at special events and public facilities. Additionally, Agency expertise is consulted by member communities to review programs and contracts.

Computer and Electronics Recycling Collection

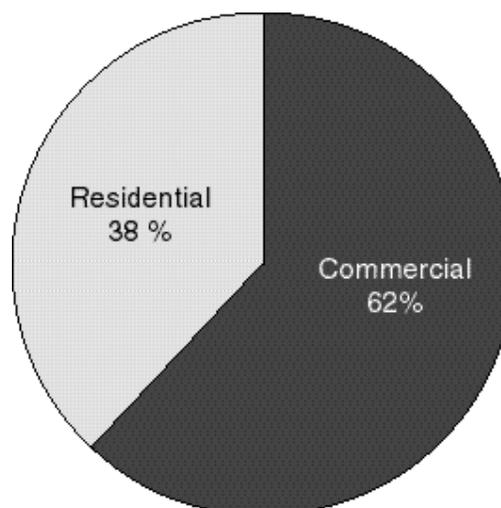


Solid Waste Management in the SWANCC Region

Waste Generation

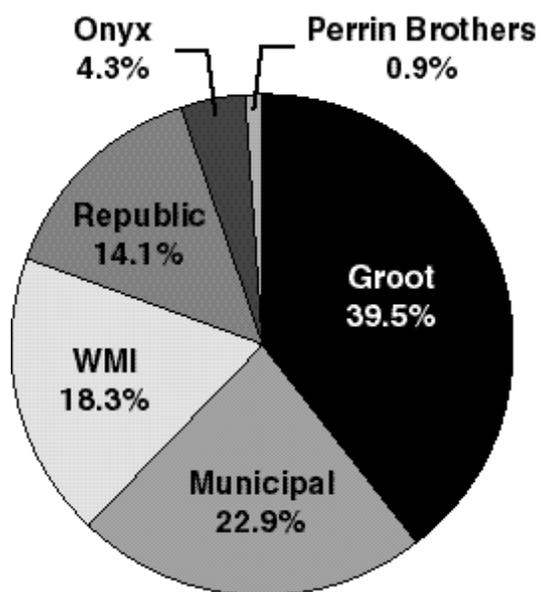
SWANCC mainly deals with residential municipal solid waste (MSW). But this only accounts for roughly 40% of the total amount of MSW generated in the SWANCC region. The majority of MSW (over 60%) is generated commercially. This waste is generated by businesses, industry, and institutions. In total, the SWANCC region generated over 1,102,558 tons of MSW during the calendar year 2002. This material is managed by recycling, composting of landscape waste, and landfilling of the remaining fraction.

SWANCC Region Waste Source



Residential MSW Collection

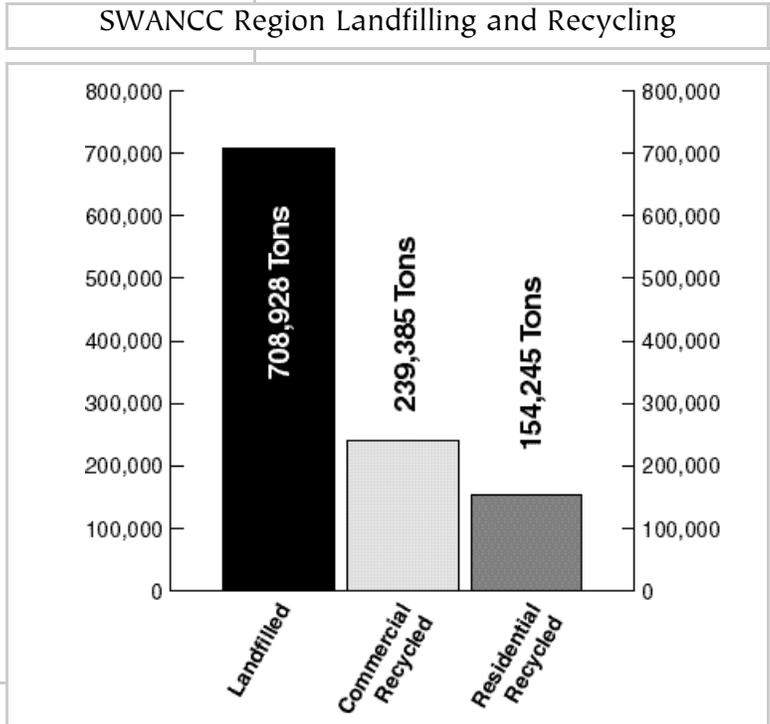
Residential Waste Hauler Market Share



While SWANCC provides a transfer facility for residential MSW, member communities are responsible for providing collection service to their residents. A few members have municipal crews while a majority contract with a waste hauling company for collection services. The attached chart shows the market share of each hauler in the SWANCC region. Tracking hauler market share for commercial waste is too difficult due to changing contracts and the number of commercial entities in the SWANCC region.

Recycling

SWANCC maintains diligent records regarding member curb-side recycling programs. According to Illinois State Statutes, composting of landscape waste is considered recycling for the purposes of meeting the state's mandated recycling goal of 25%. Commercial recycling is more difficult to track. Questionnaires to local waste haulers indicate that commercial recycling accounted for 239,385 tons of material (35% of the commercial waste stream). Combine this with the 154,245 tons of residential recycling and a total of 393,630 tons of material were recycled in 2002.



Landfills Commonly Used for SWANCC Region MSW

In-State

Countryside Landfill, Grayslake
 Zion Landfill, Zion
 Settler's Hill, Geneva
 Environtech Landfill, Morris
 Lee County Landfill, Dixon
 Orchard Hills Landfill, Davis Junction
 Livingston Landfill, Pontiac

Out-of-State

Pheasant Run, Bristol, WI
 Kestrel Hawk Park Landfill, Racine, WI
 Countyline Landfill, Fulton Co., IN
 Forest Lawn Landfill, Three Oaks, MI

Disposal

Residential MSW from SWANCC is handled by the Agency's Glenview Transfer Station and landfilled at Pheasant Run Landfill in Bristol, Wisconsin. Commercial waste is disposed of in a number of landfills both in-state and out-of-state. Some of the more commonly used landfills are listed to the right

Education Programs

On October 31, 2002, the Agency received the “Technical Excellence Award” under the category of Communication, Education and Marketing from the Solid Waste Association of North America (SWANA), a national trade organization. On behalf of the Agency, Mary Allen, SWANCC’s Education Director, received the award during SWANA’s annual conference, WASTECON.

SWANCC offers numerous educational programs to schools in the region. Approximately 850 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:

Earth Flag Program Awards: During Spring 2003, SWANCC awarded four Earth flags, three Earth plaques and fifteen Earth plaque year bar awards to schools meeting program criteria. All three programs require schools to participate in school-wide waste reduction activities for the entire school year.

“Art of Garbage”: Sixteen SWANCC-area schools contributed to SWANCC’s ninth annual “Art of Garbage” exhibit. The framed posters hang in the visitor gallery at SWANCC’s Glenview Transfer Station for one year. The 20” by 24” posters impart a waste reduction message, either drawn or made in collage fashion out of items that would normally be thrown away (except food waste). The exhibit opening was held on Saturday, May 31, 2003, in conjunction with the SWANCC’s transfer station public open house.

Locker Clean-Out Bags for Schools: For the fourth year, SWANCC offered educational/informational, sturdy “Kraft” bags to help make end-of-the-year clean up easy. Fifty schools requested the bags and received a handout to help organize a school-wide locker clean-out. The newly designed bag lists SWANCC’s member communities and an environmental message.

Shoe Drive: Over seventy SWANCC-area schools and several businesses collected old, worn-out athletic shoes for Nike’s Reuse-A-Shoe program. Program representatives brought their shoes to SWANCC’s Glenview Transfer Station from May 27 – 31, 2003. A total of 17,700 shoes, or 8,850 pairs were collected for recycling. Nike pays for the shoes to be transported to their Oregon facility. There, the shoes are ground-up to make “Nike Grind”, an ingredient that goes into making new sports surfaces, such as running tracks, basketball and tennis courts and soccer fields. Through a random drawing, two elementary, two middle and two high

Nike Reuse-A-Shoe Collection



schools received a recycled plastic “hand” chair from SWANCC. All participating schools were eligible to win.

Waste Grant Program: A total of twenty-seven SWANCC-area schools received grants as part of the Agency’s School Waste Reduction Grant Program. Each school received up to \$200 for either waste reduction equipment or resource materials. Examples of grant award projects include the purchase of recycling bins; reusable food containers and lunch bags; dry erase boards, outdoor or vermi-composting bins and SWANCC-recommended waste reduction resource materials, such as videos and books.

April Environmental Awareness Calendar: A total of 63,500 April calendars were ordered by 14 SWANCC communities and four school districts. Four municipalities had community-specific program information printed on the reverse side of the calendar to promote their recycling programs and special events.

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 meets on the second Wednesday of each month at 6:00 p.m.

Those serving as Agency Officers through April 30, 2003 include the following:

Chairman

George Van Dusen, Mayor, Village of Skokie

Vice-Chairman

Timothy Corcoran, Trustee, Village of Mount Prospect

Secretary/Treasurer

William R. Balling, Manager, Village of Buffalo Grove

Solid Waste Agency of Northern Cook County

Those serving on the Board of Directors through April 30, 2003 include the following:

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

Village of Barrington
Robert R. Irvin, Manager, Director
Marshal 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

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
Mary Kay Morrissey, Manager, Alt. Director
Board of Trustees, Alt. Directors

Village of Palatine
Rita Mullins, Mayor, Director
Michael J. Cassady, 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

Village of Wheeling
Greg Klatecki, President, Director
F. Wallace Douthwaite, 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

Solid Waste Agency of Northern Cook County

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 for FY2003 were:

Chairman

William Balling, Manager, Village of Buffalo Grove

Nancy Canafax, President, Village of Wilmette

Timothy Corcoran, Trustee, Village of Mt. Prospect

William Dixon, Manager, Village of Arlington Heights

James H. Norris, Manager, Village of Hoffman Estates

Albert J. Rigoni, Manager, Village of Skokie

Edward Rotchford, Mayor, City of Prospect Heights

Ronald Wietecha, Mayor, City of Park Ridge

Douglas Williams, Manager, Village of Winnetka

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 C. Gresham - Executive Secretary

Leslie Handler - Education Coordinator

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Des Plaines, Illinois

Financial Statements

April 30, 2003 and 2002

(With Independent Auditors' Report Thereon)

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Table of Contents

	Page
Independent Auditors' Report	1
Balance Sheets	2
Statements of Operations	4
Statements of Changes in Fund Equity (Deficit)	5
Statements of Cash Flows	6
Notes to Financial Statements	7



303 East Wacker Drive
Chicago, IL 60601-5212

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, 2003 and 2002 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, 2003 and 2002 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

August 18, 2003



SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Balance Sheets

April 30, 2003 and 2002

Assets	2003	2002
	2003	2002
Current assets:		
Cash and cash equivalents	\$ 1,035,070	20,442,128
Accounts receivable:		
Financing members	546,132	502,577
Other	787,037	1,616,963
Restricted cash and investments:		
Operation and maintenance account:		
Cash and cash equivalents	2,450,802	1,067,476
Residual account:		
Cash and cash equivalents	1,050	1,526,759
Investments	4,132,945	3,772,840
Total current assets	8,953,036	28,928,743
Restricted cash and investments – debt service account:		
Cash and cash equivalents	1,281,330	5,594,914
Investments	996,568	5,281,353
Accrued interest receivable	—	181,117
Total restricted assets	2,277,898	11,057,384
Property, plant, and equipment:		
WTTS land	1,600,000	1,600,000
Balefill land	—	4,430,948
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
	20,216,163	24,647,111
Accumulated depreciation	(4,696,458)	(4,188,276)
Net property, plant, and equipment and balefill	15,519,705	20,458,835
Debt issuance costs, net	275,559	858,313
Total assets	\$ 27,026,198	61,303,275

See accompanying notes to financial statements.

Liabilities and Fund Equity (Deficit)	2003	2002
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,959,977	2,135,194
Current portion of long-term debt	1,900,000	2,770,000
Due to members	—	22,426
Accrued interest payable	230,754	1,627,419
Deferred revenue	1,089,735	1,311,758
Total current liabilities	<u>5,180,466</u>	<u>7,866,797</u>
Long-term liabilities:		
Long-term debt, less current portion	13,426,686	51,868,774
Unamortized loss on refunding	(1,394,042)	(1,618,906)
Total long-term liabilities	<u>12,032,644</u>	<u>50,249,868</u>
Total liabilities	<u>17,213,110</u>	<u>58,116,665</u>
Fund equity (deficit):		
Contributed capital	4,723,340	4,723,340
Equity (deficit)	5,089,748	(1,536,730)
Total fund equity (deficit)	<u>9,813,088</u>	<u>3,186,610</u>
Commitments and contingencies		
Total liabilities and fund equity (deficit)	\$ <u>27,026,198</u>	<u>61,303,275</u>

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Statements of Operations

Years ended April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Transfer station operations:		
Revenues – charges to member communities	\$ 15,479,094	18,710,867
Expenses – transfer station operations	<u>(12,345,819)</u>	<u>(12,178,687)</u>
Operating profit from transfer station operations	3,133,275	6,532,180
General and administrative	(1,129,556)	(1,271,906)
Depreciation	<u>(508,183)</u>	<u>(508,184)</u>
Operating income	<u>1,495,536</u>	<u>4,752,090</u>
Nonoperating income (expense):		
Interest income	324,750	667,644
Interest expense	(1,016,611)	(3,594,365)
Amortization expense	(70,355)	(139,103)
Loss on refunding	(3,052,134)	—
Miscellaneous income	104,857	135,862
Gain on sale of balefill land	8,672,047	16,531,572
Realized and unrealized gains on investments	<u>168,388</u>	<u>139,150</u>
Total nonoperating revenue (expenses), net	<u>5,130,942</u>	<u>13,740,760</u>
Net income	<u>\$ 6,626,478</u>	<u>18,492,850</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, 2003 and 2002

	<u>Contributed capital</u>	<u>Accumulated equity (deficit)</u>	<u>Total</u>
Balance at April 30, 2001	\$ 4,723,340	(20,029,580)	(15,306,240)
Net income	<u>—</u>	<u>18,492,850</u>	<u>18,492,850</u>
Balance at April 30, 2002	4,723,340	(1,536,730)	3,186,610
Net income	<u>—</u>	<u>6,626,478</u>	<u>6,626,478</u>
Balance at April 30, 2003	<u>\$ 4,723,340</u>	<u>5,089,748</u>	<u>9,813,088</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Statements of Cash Flows

Years ended April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net operating income	\$ 1,495,536	4,752,090
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	508,183	508,184
Changes in assets and liabilities:		
Accounts receivable:		
Financing members	(43,555)	(97,881)
Other	829,926	(1,042,070)
Accounts payable and accrued expenses	(175,217)	718,370
Deferred revenue and due to members	(244,449)	(622,873)
Net cash provided by operating activities	<u>2,370,424</u>	<u>4,215,820</u>
Cash flows from noncapital and related financing activities:		
Other nonoperating income	<u>104,857</u>	<u>135,862</u>
Cash flows from capital and related financing activities:		
Proceeds from disposal of capital assets	13,102,994	21,097,624
Proceeds from issuance of bonds	24,100,000	—
Bond principal payments	(3,995,000)	(2,620,000)
Deposit with bond escrow agent	(62,250,298)	(2,832,834)
Interest payments	<u>(1,894,937)</u>	<u>(3,412,765)</u>
Net cash provided by (used in) capital and related financing activities	<u>(30,937,241)</u>	<u>12,232,025</u>
Cash flows from investing activities:		
Change in investments	3,924,680	(1,500,000)
Interest income	<u>674,255</u>	<u>486,527</u>
Net cash provided by (used in) investing activities	<u>4,598,935</u>	<u>(1,013,473)</u>
Net increase (decrease) in cash and cash equivalents	(23,863,025)	15,570,234
Cash and cash equivalents at beginning of year	<u>28,631,277</u>	<u>13,061,043</u>
Cash and cash equivalents at end of year	<u>\$ 4,768,252</u>	<u>28,631,277</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

(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, 2003 and 2002 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 Meadow
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.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

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 has elected to apply only Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principals Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 to its proprietary funds.

(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, 2003 and 2002 was \$42,828 and \$139,103, 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. 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).

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

(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 2002 amounts have been reclassified to conform with the 2003 presentation.

(e) Deferred Revenue

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

(f) Interest Rate Swap Agreement

The Agency entered into an interest rate swap agreement to modify interest rates on outstanding debt. Other than the net interest expense resulting from this agreement, no amounts are recorded in the financial statements.

(g) 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.

(h) New Accounting Pronouncements

The GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The Agency is required to implement these Statements for the year ended April 30, 2004. The Agency has not yet assessed the impact the adoption of these statements will have on its financial position and results of operations.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

(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 \$388,821 and \$395,747, respectively, at April 30, 2003 and \$734,916 and \$737,690, respectively, at April 30, 2002. The bank balances of \$395,747 and \$737,690 at April 30, 2003 and 2002, respectively, were covered by the Federal Depository Insurance Corporation or collateralized.

Investments

A summary of the Agency's investments at April 30, 2003 and 2002 is as follows:

	<u>2003</u>		<u>2002</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	\$ 2,916,560	2,916,560	12,804,390	12,804,390
Uncategorized investments:				
The Illinois Funds	5,284	5,284	5,207	5,207
Illinois Metropolitan Investment Fund	4,132,945	4,132,945	3,772,840	3,772,840
Mutual Funds	2,454,155	2,454,155	20,365,343	20,365,343
	<u>\$ 9,508,944</u>	<u>9,508,944</u>	<u>36,947,780</u>	<u>36,947,780</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

Notes to Financial Statements

April 30, 2003 and 2002

(4) Long-term Debt

Long-term debt consists of the following at April 30, 2003 and 2002:

	2003	2002
\$55,650,000 Contract Revenue Bonds, Series 1992, bearing interest at 5.65% to 6.65%, refunded in 2003	\$ —	24,635,000
\$4,400,000 Contract Revenue Bonds, Series 1994, bearing interest at 4.50% to 5.55%, maturing 2000 to 2015	1,530,000	3,430,000
\$29,085,000 Contract Revenue Bonds, Series 1995A, bearing interest at 4.50% to 6.00%, maturing 2000 to 2015	2,310,000	27,090,000
\$24,100,000 Contract Revenue Bonds, Series 2002, bearing variable interest rates, maturing 2003 to 2015	11,575,000	—
	15,415,000	55,155,000
Less unamortized discount	88,314	516,226
Long-term debt	\$ 15,326,686	54,638,774

The resolutions authorizing the issuance of the 1992, 1994, 1995, and 2002 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 2002, 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.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

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.

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.

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

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.

During the year ended April 30, 2003, the Agency issued \$24,100,000 of 2002 revenue bonds for an advance refunding of \$24,635,000 of 1992 revenue bonds. Additionally, the Agency defeased \$1,700,000 of its Contract Revenue Bonds, Series 1994, \$22,210,000 of its Contract Revenue Bonds, Series 1995, and \$11,300,000 of its Contract Revenue Bonds, Series 2002 with proceeds from the sale of land.

Amortization expense of the unamortized loss on refunding for the years ended April 30, 2003 and 2002 was \$170,672 and \$261,792, respectively.

On July 9, 2002, the Agency entered into a seven-year interest rate swap agreement for its variable rate 2002 Series revenue bonds. Based on the swap agreement, the Agency owes interest calculated at a fixed rate of 4.75% to the counterparty of the swap. In return, the counterparty owes the Agency interest based on a variable rate that matches the rate required by the bonds.

The Agency continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the Agency effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on that fixed rate. The Agency will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the Agency making or receiving a termination payment.

The annual requirements to amortize all debt outstanding as of April 30, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending April 30:			
2004	\$ 1,900,000	486,594	2,386,594
2005	1,040,000	490,898	1,530,898
2006	1,010,000	449,805	1,459,805
2007	1,140,000	406,563	1,546,563
2008	1,505,000	352,945	1,857,945
Thereafter	8,820,000	955,527	9,775,527
	<u>\$ 15,415,000</u>	<u>3,142,332</u>	<u>18,557,332</u>

SOLID WASTE AGENCY OF NORTHERN COOK COUNTY

Notes to Financial Statements

April 30, 2003 and 2002

(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, 2003 and 2002 totaled \$11,941,631 and \$10,818,790, respectively.

(6) Sale of Land

On November 5, 2002, the Agency sold the remainder of its balefill land to Realen Homes, LP. Net sales proceeds amounted to approximately \$12,652,995. During 2003, the Agency recorded a gain on sale of balefill land to approximately \$8,672,047, which is included in the accompanying 2003 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.

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

1616 East Golf Road
Des Plaines, IL 60016
Phone 847/296-9205
Fax 847/296-9207
www.swancc.org

