

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

**Annual Financial Report**

**Fiscal Year Ended April 30, 2011**

**Solid Waste Agency of Northern Cook County, Glenview, Illinois**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended April 30, 2011**

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**FINANCIAL SECTION**

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Solid Waste Agency of Northern Cook County, as of and for the year ended April 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Solid Waste Agency of Northern Cook County's management. Our responsibility is to express opinions on these financial statements based on our audit. The basic financial statements of the Solid Waste Agency of Northern Cook County for the year ended April 30, 2010 were audited by other auditors whose report, dated March 9, 2011, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Solid Waste Agency of Northern Cook County as of April 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

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The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
February 10, 2012

## Management Discussion and Analysis

### Introduction

This discussion and analysis of the Solid Waste Agency of Northern Cook County (the "Agency") is designed to provide the reader an objective and easily readable analysis of the Agency's financial activities for the past fiscal year 2010/11 which concluded on April 30, 2011 in comparison with the April 30, 2010 fiscal year. Also highlighted are significant financial transactions and issues, comparisons to prior year activities, any relevant trend information, and changes in the Agency's financial position.

This discussion and analysis is an integral part of the Agency's financial statements and should be read in conjunction with the financial statements, which begin on page 8.

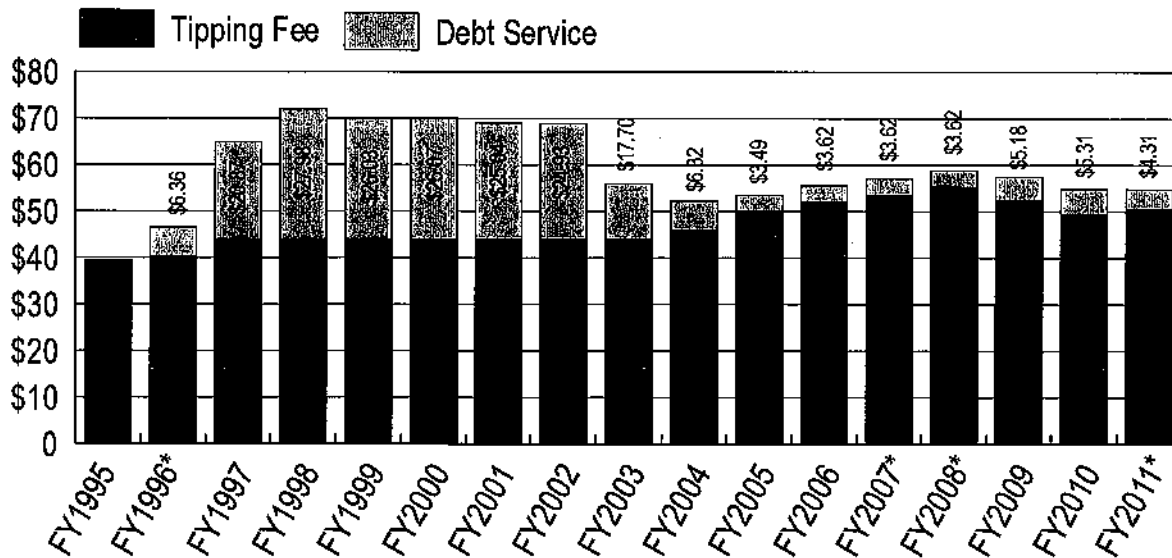
### Background

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

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

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

**Chart 1 – Historical Tipping Fees**



\* Debt Service subsidized by SWANOC

## Management Discussion and Analysis

### Fund Structure

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

### Overview of Financial Statements

The Agency's summary of assets for FY2011 and FY2010 is included in Table 1. The Agency's net assets were increased by approximately 1% from FY2010 to FY2011.

TABLE 1 - Summary of Net Assets

	<u>FY2011</u>	<u>FY2010</u>
Assets:		
Current Assets	\$ 6,843,409	\$ 5,277,771
Non-Current Assets	66,091	100,676
Capital Assets	<u>11,228,739</u>	<u>11,704,309</u>
Total Assets	<u>18,138,239</u>	<u>17,082,756</u>
Liabilities:		
Current Liabilities	5,164,235	4,162,145
Long-Term Liabilities	<u>4,788,844</u>	<u>4,822,573</u>
Total Liabilities	<u>9,953,079</u>	<u>8,984,718</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,319,895	5,761,736
Restricted for Debt Service, Net of Accrued Interest	2,371,951	589,394
Unrestricted	<u>493,314</u>	<u>1,746,908</u>
Total Net Assets	<u>\$ 8,185,160</u>	<u>\$ 8,098,038</u>

For more detailed information, see the Statement of Net Assets beginning on page 8.

## Management Discussion and Analysis

Table 2 below provides the condensed Statement of Activities.

	FY2011	FY2010	Difference	% Change
<b>Glenview Transfer Station (GTS) Operations</b>				
Revenues - Charges to Members	\$ 13,496,113	\$ 14,064,076	\$ (567,963)	-4.04%
Expenses - GTS Operations	(11,125,068)	(11,215,308)	90,240	-0.80%
Revenues - Recycling Incentive Program	726,624	293,543	433,081	147.54%
Expenses - Recycling Incentive Program	(818,561)	(239,667)	(578,894)	241.54%
<b>Total Profit from GTS Operations</b>	<b>2,279,108</b>	<b>2,902,644</b>	<b>(623,536)</b>	<b>-21.48%</b>
General and Administrative Expenses	(1,473,801)	(1,624,775)	150,974	-9.29%
Depreciation	(475,570)	(475,570)	-	0.00%
<b>Operating Income</b>	<b>329,737</b>	<b>802,299</b>	<b>(472,562)</b>	<b>-58.90%</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	2,008	17,028	(15,020)	-88.21%
Interest Expense	(258,253)	(308,024)	49,771	-16.16%
Amortization	(32,380)	(38,617)	6,237	-16.15%
Miscellaneous Income	11,132	19,129	(7,997)	-41.81%
Gain on Sale of Land	-	-	-	
Realized and Unrealized Gain on Investments	34,878	41,328	(6,450)	-15.61%
<b>Total Non-Operating Revenues Net</b>	<b>(242,615)</b>	<b>(269,156)</b>	<b>26,541</b>	<b>-9.86%</b>
<b>Net Income</b>	<b>87,122</b>	<b>533,143</b>	<b>(446,021)</b>	<b>-83.66%</b>
Net Assets Beginning	8,098,038	7,564,895	533,143	7.05%
Net Assets Ending	\$ 8,185,160	\$ 8,098,038	\$ 87,122	1.08%
<b>Total Revenues</b>	<b>\$ 14,270,755</b>	<b>\$ 14,435,104</b>	<b>\$ (164,349)</b>	<b>-1.14%</b>
<b>Total Operating Expenses</b>	<b>(14,183,633)</b>	<b>(13,901,961)</b>	<b>(281,672)</b>	<b>2.03%</b>
<b>Net Income</b>	<b>\$ 87,122</b>	<b>\$ 533,143</b>	<b>\$ (446,021)</b>	<b>-83.66%</b>

In FY2011, the Agency's revenues decreased as a result of reduced member waste deliveries at the Agency's Glenview Transfer Station (GTS). Revenues from Members decreased by 4.04%. The bulk of the Agency's expenses is paid to Groot Industries for their operation of the GTS and is based on actual deliveries by Members. As a result the expenses for GTS operations is decreased as well.



## Management Discussion and Analysis

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SWANCC continued its Recycling Incentive Program (RIP) in FY2011. Overall the total tons of recyclables collected increased due to the addition of Wheeling and Wilmette to the Program. Deliveries from Members that were in the program in FY2010 increased 2.7%. The Agency believes that the current economic conditions and the increase in consumer awareness for recycling have assisted in reducing the overall waste deliveries by Members.

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

The RIP payment is based on the high point per ton price of the No. 8 Newspaper for each month as printed in the Official Board Market Yellow Sheet publication minus \$70.40 (processing and marketing costs). If the Agency delivers less than 65,000 tons of recyclable material, the payment is 50% of the net amount from the above formula, if the tonnage is above 65,000 then the Agency receives the first \$17.50 and the balance is divided 50/50. Regardless of the price of No. 8 Newspaper, the guaranteed minimum payment under the program guidelines is \$5 per ton. The Agency members delivered 56,473 tons of recyclables in FY2011.

Commodity markets in FY2011 saw strong demand pushing the overall price of the No. 8 Newspaper to a high water mark of \$145.00 in February 2011. This resulted in the Agency receiving more than the minimum guaranteed payment of \$5 per ton. The continued volatility in the value of recycling commodities will be impacted by the overall world economic recovery and be difficult to project going forward.

In FY2011, \$707,540 in payments for the members that delivered under the RIP was approved by the Board of Directors. In accordance with the Board's direction, the Agency has retained \$100,000 of the RIP revenues in order to offset the Agency's expenses. The total revenue and expenses stated in the reporting period for the RIP reflect expenses associated with prior fiscal years and were treated as expensed for clarity in reporting.

### Operations

The Agency's Glenview Transfer Station (GTS) processes and provides for disposal of waste delivered by the members and customers of the Agency. The amount of waste delivered to the Agency from all sources totaled 271,492 tons, a decrease of 2.01% from FY2010. Economic conditions, especially reduced consumer spending and home foreclosures, have been the driving force for reduced waste deliveries at the GTS.

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

Under the GTS operating contract, Groot is compensated on a per ton basis for the operation of the transfer station and for the disposal of waste. Groot was paid \$47.42 per ton in FY2011. During FY2011, Groot received payment based on an estimated 950 tons per day of member waste deliveries. At the end of the Fiscal Year, a true-up with Groot occurs to reconcile the actual deliveries with the estimated billing.

## **Management Discussion and Analysis**

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The non-member tonnage delivered to the GTS increased from 34,854 tons in FY2010 to 35,776 tons in FY2011 (2.65%). The increase in tonnage was mainly due to the retention of current customers and the expansion of use by small remodelers and construction contractors.

Revenue from the non-member waste increased by \$71,040 to \$465,925 (18.0%) in FY2011. This increase was realized due to pricing strategies that optimize pricing for a large number of small volume customers. These customers are willing to pay higher per unit prices in exchange for no per load volume minimums.

Overall, the GTS operated efficiently and effectively in FY2011 with no downtime in waste processing or regulatory issues.

### **Capital Assets**

Net capital assets decreased by \$475,570 during FY2011 as a result of depreciation expense. See Note C for additional information.

### **Debt Activity**

Long-term debt for the fiscal reporting period indicated no payments were made due to the reporting of the debt payments as a May 1, 2011 liability, associating the liability within the appropriate reporting time period.

### **Contacting the Agency**

This financial report is designed to provide the users of these financial statements an overview of the Agency's operations and finances and to demonstrate accountability for the funds it receives. Questions concerning these financial statements may be directed to David Van Vooren, 2700 Patriot Boulevard, Suite 110, Glenview, Illinois 60026.

## **BASIC FINANCIAL STATEMENTS**

**Solid Waste Agency of Northern Cook County**  
Statement of Net Assets  
April 30, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
Current assets		
Deposits and investments		
Unrestricted	\$ 3,553,702	\$ 3,121,006
Restricted	2,371,951	589,394
Accounts receivable		
Members	382,638	697,996
Due from contractor	535,118	869,375
<b>Total current assets</b>	<b>6,843,409</b>	<b>5,277,771</b>
Noncurrent assets		
Capital assets, net of depreciation	11,228,739	11,704,309
Bond issuance costs, net	66,091	98,471
Other	-	2,205
<b>Total assets</b>	<b>18,138,239</b>	<b>17,082,756</b>

(Continued)

The accompanying notes are an integral part of this statement.

**Solid Waste Agency of Northern Cook County**  
Statement of Net Assets (Continued)  
April 30, 2011 and 2010

	2011	2010
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,754,978	\$ 1,016,640
Due to members - true up	1,063,702	809,121
Unearned revenue	1,225,555	1,216,384
Current portion of long-term debt	1,120,000	1,120,000
Total current liabilities	5,164,235	4,162,145
Long-term liabilities		
Long-term debt due after one year	4,788,844	4,822,573
Total liabilities	9,953,079	8,984,718
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,319,895	5,761,736
Restricted, revenue bonds	2,371,951	589,394
Unrestricted	493,314	1,746,908
Total net assets	\$ 8,185,160	\$ 8,098,038

(Concluded)

The accompanying notes are an integral part of this statement.

## Solid Waste Agency of Northern Cook County

### Statement of Activities

For The Years Ended April 30, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
Transfer Station Operations		
Revenues - charges to member communities	\$ 13,496,113	\$ 14,064,076
Expenses - transfer station operations	(11,125,068)	(11,215,308)
Revenues - recycling incentive program	726,624	293,543
Expenses - recycling incentive program	(818,561)	(239,667)
	<u>2,279,108</u>	<u>2,902,644</u>
Total profit from transfer station operations		
General and administrative expenses	(1,473,801)	(1,624,775)
Depreciation	(475,570)	(475,570)
	<u>329,737</u>	<u>802,299</u>
Operating income		
Nonoperating revenue (expenses):		
Interest income	2,008	17,028
Interest expense	(258,253)	(308,024)
Amortization expense	(32,380)	(38,617)
Miscellaneous income	11,132	19,129
Realized and unrealized gains on investments	34,878	41,328
	<u>(242,615)</u>	<u>(269,156)</u>
Total nonoperating revenue (expenses), net		
Change in net assets	<u>87,122</u>	<u>533,143</u>
Net assets, beginning of year	<u>8,098,038</u>	<u>7,564,895</u>
Net assets, end of year	<u>\$ 8,185,160</u>	<u>\$ 8,098,038</u>

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The accompanying notes are an integral part of this statement.

## Solid Waste Agency of Northern Cook County

### Statement of Cash Flows

For the Years Ended April 30, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received from members and users	\$ 14,881,523	\$ 13,551,063
Cash payments to employees	(274,258)	(337,863)
Payments to suppliers and members	<u>(12,294,048)</u>	<u>(12,851,530)</u>
Net cash provided by operating activities	<u>2,313,217</u>	<u>361,670</u>
Cash flows from noncapital financing activities		
Miscellaneous non-operating income	11,132	17,520
Restricted cash	(1,782,557)	1,136,470
Net cash provided by noncapital financing activities	(1,771,425)	1,153,990
Cash flows from capital and related financing activities		
Principal paid on contract revenue bonds	-	(1,125,000)
Interest paid and related charges on contract revenue bonds	<u>(145,982)</u>	<u>(346,641)</u>
Net cash used in capital and related financing activities	<u>(145,982)</u>	<u>(1,471,641)</u>
Cash flows from investing activities		
Investment Income	<u>36,886</u>	<u>58,356</u>
Net cash provided by investing activities	<u>36,886</u>	<u>58,356</u>
Net increase in cash	432,696	102,375
Cash, beginning of year	<u>3,121,006</u>	<u>3,018,631</u>
Cash, end of year	<u>\$ 3,553,702</u>	<u>\$ 3,121,006</u>

(Continued)

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The accompanying notes are an integral part of this statement.

## Solid Waste Agency of Northern Cook County

Statement of Cash Flows (Continued)  
For the Years Ended April 30, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 329,737	\$ 802,299
Adjustments		
Depreciation	475,570	475,570
(Increase) decrease in assets		
Accounts receivable		
Members	315,358	(175,265)
Other	334,257	(391,624)
Other assets	2,205	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	592,338	(132,385)
Due To financing members - true up	254,581	(193,877)
Unearned revenue	9,171	(23,048)
Total adjustments	<u>1,983,480</u>	<u>(440,629)</u>
Net cash provided by operating activities	<u>\$ 2,313,217</u>	<u>\$ 361,670</u>

(Concluded)

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The accompanying notes are an integral part of this statement.



# Solid Waste Agency of Northern Cook County

## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### 1. Reporting Entity

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

The Glenview Transfer Station, located in the Village of Glenview, Illinois, commenced operations February 1, 1994. Pursuant to the Project Use Agreements, charges to the members' communities using the Glenview Transfer Station at April 30, 2011 and 2010 resulted in charges of approximately \$55 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	

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

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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

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

The Agency is governed by a board of directors consisting of one official selected by each member community who serves a two-year term. Each director has one vote. The board of directors determines the general 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.

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

##### 2. Fund Accounting

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

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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

##### 2. Fund Accounting (Continued)

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Agency is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Agency has decided that periodic determination of revenues earned, expenses incurred and net income or loss is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Pursuant to GASB Statement No. 21, *Accounting and Financial Reporting for Proprietary Funds*, the Agency has chosen to apply all GASB pronouncements, as well as those FASB pronouncements issued on or before November 30, 1989, to account for the proprietary fund.

##### 3. Deposits and Investments

State statutes and the Agency's investment policy authorize the Agency to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations; certain repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds Money Market Fund, and the Illinois Metropolitan Investment Fund. Investments are stated at fair value. Changes in the fair value of investments are recorded as investment income. The Agency's bond resolution does not place further restrictions on the types of investments that may be held.

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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

##### 4. Capital Assets

Capital assets are recorded at cost. If actual cost cannot be determined, estimated historical cost is used; donated capital assets are valued at their estimated fair market value on the date donated.

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

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

##### 5. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTE B - DEPOSITS AND INVESTMENTS

Deposits and investments totaled \$5,925,653. Of that amount, \$2,371,951 is restricted by the provisions of the revenue bond resolution (Note D). For disclosure purposes, deposits and investments is segregated into two components: 1) deposits with financial institutions, which include amounts held in demand accounts and savings accounts; and 2) investments, which consist of investments in U.S. Treasury Money Market, Illinois Metropolitan Investment Fund, and Illinois Funds Money Market Fund.

	<u>Total</u>
Deposits with financial institutions	\$ 1,706,919
Investments	<u>4,218,734</u>
	<u>\$ 5,925,653</u>

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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

At April 30, 2011, the Agency's investments were as follows:

	<u>Fair Value</u>	<u>Less Than One Year</u>
U.S. Treasury Money Market	\$ 1,405,811	\$ 1,405,811
Illinois Metropolitan Investment Fund	2,806,673	2,806,673
Illinois Funds Money Market Fund	<u>6,250</u>	<u>6,250</u>
	<u>\$ 4,218,734</u>	<u>\$ 4,218,734</u>

#### 1. Interest Rate Risk

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

#### 2. Credit Risk

Statutes authorize the Agency to make deposits/investments in certain investment types. The Agency's investment policy does not further limit its investment choices or limits.

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

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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

##### 2. Credit Risk (Continued)

The Illinois Funds, a state investment pool, was rated AAA by Standard & Poor's. The State Treasurer is the regulatory oversight agency for the pool and the State Treasurer is audited by the Illinois Auditor General to ensure that all state statutes are being followed. Each member owns a prorated share of each investment or deposit, which is held in the name of the fund. The fair value of the position in the external investment pool is the same as the value of the pool shares.

##### 3. Custodial Credit Risk

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Agency's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. At April 30, 2011, the bank balances of the Agency's deposits with financial institutions totaled \$1,810,094 all of which was fully insured or collateralized.

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investment policy limits the exposure to investment custodial credit risk by requiring that all investments not guaranteed by the U.S. or one of its agencies be secured by private insurance or collateral. As of April 30, 2011, the Agency had no unsecured investments.

##### 4. Concentration of Credit Risk

It is the policy of the Agency to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in overconcentration in a security, maturity, issuer, or class of securities.

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

#### NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,381,800	\$ -	\$ -	\$ 1,381,800
Total capital assets, not being depreciated	<u>1,381,800</u>	<u>-</u>	<u>-</u>	<u>1,381,800</u>
Capital assets, being depreciated				
Building and improvements	17,312,202	-	-	17,312,202
Total capital assets, being depreciated	<u>17,312,202</u>	<u>-</u>	<u>-</u>	<u>17,312,202</u>
Less accumulated depreciation for:				
Building and improvements	6,989,693	475,570	-	7,465,263
Total accumulated depreciation	<u>6,989,693</u>	<u>475,570</u>	<u>-</u>	<u>7,465,263</u>
Total capital assets, being depreciated, net	<u>10,322,509</u>	<u>(475,570)</u>	<u>-</u>	<u>9,846,939</u>
Total capital assets	<u>\$ 11,704,309</u>	<u>\$ (475,570)</u>	<u>\$ -</u>	<u>\$ 11,228,739</u>

**Solid Waste Agency of Northern Cook County**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2011

**NOTE D - LONG-TERM LIABILITIES**

The following is the long-term liability activity for the Agency for the year ended April 30, 2011:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
\$8,090,000 Contract Revenue Bonds, Series 2008, bearing Interest at 5%, maturing through 2015.	\$ 5,840,000	\$ -	\$ -	\$ 5,840,000
Unamortized premium	218,750	-	71,931	146,819
Loss on Refunding	<u>(116,177)</u>	<u>-</u>	<u>(38,202)</u>	<u>(77,975)</u>
Total	<u>\$ 5,942,573</u>	<u>\$ -</u>	<u>\$ 33,729</u>	<u>\$ 5,908,844</u>
	<u>Due within</u> <u>one year</u>			
Contract Revenue Bonds, Series 2008	<u>\$ 1,120,000</u>			

At April 30, 2011, the Agency's future cash flow requirements for retirement of bond principal were as follows:

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,120,000	\$ 236,000	\$ 1,356,000
2013	1,120,000	180,000	1,300,000
2014	1,200,000	120,000	1,320,000
2015	1,200,000	60,000	1,260,000
2016	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
	<u>\$ 5,840,000</u>	<u>\$ 596,000</u>	<u>\$ 6,436,000</u>



**Solid Waste Agency of Northern Cook County**  
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NOTE D - LONG-TERM LIABILITIES (Continued)

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

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

**Revenue Account** - All pledged revenues of the Agency are to be deposited into this account as soon as practicable after receipt. At April 30, 2011, this account contained \$139,802, which is presented in restricted deposits and investments on the Statement of Net Assets.

**Operation and Maintenance Account** - Amounts are deposited in this account as necessary to accumulate one-sixth of the annual operating and maintenance expenses included in the project budget. At April 30, 2011, this account contained \$966,140, which is presented in restricted deposits and investments on the Statement of Net Assets.

**Bond Fund Account** - Amounts deposited in this account are used to pay principal and interest on the Bonds. At April 30, 2011, this account contained \$1,266,000 to pay for debt service.

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

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

**Residual Account** - Amounts deposited are to be used to fund certain deficiencies in the Operation and Maintenance Account, Debt Service Account, or Subordinated Indebtedness Account. Any excess funds in this account may be transferred to any other account or, upon certain conditions, to the Agency. At April 30, 2011, this account contained \$9, which is presented in restricted deposits and investments on the Statement of Net Assets.

## Solid Waste Agency of Northern Cook County

### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2011

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#### NOTE E - OPERATING LEASES

The Agency leases office space under an operating lease through July 2014. Under the terms of the lease, the Agency is responsible for their share of the real estate taxes and operating expenses on the property. Rent expense for the years ended April 30, 2011 and 2010 totaled \$128,611 and \$108,197, respectively.

In addition, the Agency has entered in operating lease agreements for office equipment through November 2012. Total rentals under these leases for the years ended April 30, 2011 and 2010 totaled \$7,118 and \$8,146, respectively.

Minimum future base rental payments under this noncancelable operating lease for the remaining lease term are as follows:

Year Ended	Amount
2012	\$ 70,219
2013	69,031
2014	66,385
2015	<u>16,596</u>
	<u>\$ 222,231</u>

#### NOTE F - COMMITMENTS

The Agency and Groot Recycling and Waste Services, Inc. (Groot) have a contract by which Groot will operate the Glenview Transfer Station until April 2015, and provide for processing, hauling, and disposal of waste delivered to the Glenview Transfer Station. Payments to Groot for the years ended April 30, 2011 and 2010 totaled \$10,795,899 and \$10,865,379, respectively.

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

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

April 30, 2011

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#### NOTE G - RETIREMENT PLANS

The Agency sponsors a salary reduction plan for the benefit of certain eligible employees. The plan allows for participant contributions pursuant to the provisions of Internal Revenue Code Section 457(b). The plan provides for Agency to make contributions of six percent of the participant's eligible compensation and matching contributions for the first six percent of the of participant's elected contribution. For the year ended April 30, 2011 and 2010, the Agency's' contributions totaled \$55,900 and \$58,924.

#### NOTE H - RISK MANAGEMENT

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

#### NOTE I - KNOWN UNAUTHORIZED EXPENSES AND LITIGATION

In fiscal 2011, it was determined that certain amounts reported as "General and Administrative Expenses" in the Statement of Activities portion of the Agency's financial statements, included numerous unauthorized payments to the Agency's Executive Director. Upon further investigation it was noted that the unauthorized expenses related to a portion of 2011 and previous fiscal years. The Executive Director resigned in October 2010. The Board of Directors has referred the matter to the Cook County State's Attorney, the former Executive Director has been indicted, and the Agency intends to pursue recovery of the unauthorized payments.

#### NOTE J - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 10, 2012, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

