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April 30, 2015

Mr. Walter Willis
Solid Waste Agency of Lake County
1311 North Estes Street
Gurnee, IL 60031

Dear Mr. Willis:

Enclosed please find thirty (30) copies of the financial statements and management letter for Solid Waste Agency of Lake County for the years ended November 30, 2014 and 2013. An Independent Auditors' Report describing the scope of our work is included with the financial statements.

If you should have any questions, please contact me.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

John Andres, CPA, Partner

Enclosures

c: Gary Gordon, Lake County
Ms. Patrice Sutton-Burger, Lake County

**SOLID WASTE AGENCY OF
LAKE COUNTY, ILLINOIS**

Gurnee, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended November 30, 2014 and 2013

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS
Gurnee, Illinois

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Solid Waste Agency of Lake County
Gurnee, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Solid Waste Agency of Lake County, Illinois (SWALCO), as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, which comprise the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SWALCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SWALCO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SWALCO as of November 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Solid Waste Agency of Lake County

Other Matters

Required Supplementary Information

SWALCO has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison and Schedule of Funding Progress information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Vuchan Krause, LLP

Madison, Wisconsin
April 22, 2015

SOLID WASTE AGENCY OF LAKE COUNTY

STATEMENTS OF NET POSITION

As of November 30, 2014 and 2013

	ASSETS	
	2014	2013
CURRENT ASSETS		
Cash	\$ 2,267,808	\$ 2,098,493
Receivables	194,915	177,917
Prepaid insurance	21,673	20,110
Total Current Assets	<u>2,484,396</u>	<u>2,296,520</u>
NONCURRENT ASSETS		
Designated assets		
Equipment replacement fund	104,232	104,232
Capital Assets		
Plant in service	2,154,946	2,154,946
Accumulated depreciation	(1,024,942)	(962,897)
Total Noncurrent Assets	<u>1,234,236</u>	<u>1,296,281</u>
TOTAL ASSETS	<u>3,718,632</u>	<u>3,592,801</u>
	LIABILITIES	
CURRENT LIABILITIES		
Accounts payable	67,387	90,401
Accrued payroll	9,061	8,689
Total Current Liabilities	<u>76,448</u>	<u>99,090</u>
Total Liabilities	<u>76,448</u>	<u>99,090</u>
	NET POSITION	
Investment in capital assets	1,130,004	1,192,049
Unrestricted	<u>2,512,180</u>	<u>2,301,662</u>
TOTAL NET POSITION	<u>\$ 3,642,184</u>	<u>\$ 3,493,711</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF LAKE COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended November 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
County surcharge - current	\$ 708,278	\$ 672,493
Member fees	237,170	288,589
Other miscellaneous	<u>232,559</u>	<u>183,127</u>
Total Operating Revenues	<u>1,178,007</u>	<u>1,144,209</u>
OPERATING EXPENSES		
Personnel services	403,571	391,770
Operational services	43,154	40,240
Contractual services	526,622	533,039
Buildings and equipment maintenance	3,273	17,490
Depreciation	<u>62,045</u>	<u>62,040</u>
Total Operating Expenses	<u>1,038,665</u>	<u>1,044,579</u>
OPERATING INCOME (LOSS)	<u>139,342</u>	<u>99,630</u>
NONOPERATING INCOME		
Investment income	9,131	6,197
CHANGE IN NET POSITION	148,473	105,827
NET POSITION - Beginning of Year	<u>3,493,711</u>	<u>3,387,884</u>
NET POSITION - END OF YEAR	<u>\$ 3,642,184</u>	<u>\$ 3,493,711</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF LAKE COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended November 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from members and the County	\$ 1,166,127	\$ 1,134,450
Paid to suppliers for goods and services	(597,254)	(578,150)
Paid to employees for services	<u>(403,571)</u>	<u>(391,770)</u>
Net Cash Flows From Operating Activities	<u>165,302</u>	<u>164,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>4,013</u>	<u>6,076</u>
Net Change in Cash and Cash Equivalents	169,315	170,606
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>2,202,725</u>	<u>2,032,119</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 2,372,040</u>	<u>\$ 2,202,725</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 139,342	\$ 99,630
Noncash items included in operating income		
Depreciation	62,045	62,040
Changes in assets and liabilities		
Other receivables	(11,880)	(9,759)
Prepaid insurance	(1,563)	-
Accounts payable	(23,014)	12,231
Accrued payroll	<u>372</u>	<u>388</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 165,302</u>	<u>\$ 164,530</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash	\$ 2,267,808	\$ 2,098,493
Equipment replacement fund	<u>104,232</u>	<u>104,232</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,372,040</u>	<u>\$ 2,202,725</u>

See accompanying notes to financial statements.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting principles and policies utilized by SWALCO are described below:

REPORTING ENTITY

SWALCO is a municipal corporation formed by Lake County and 43 municipalities within Lake County for the purpose of implementing the Lake County Solid Waste Management Plan. SWALCO has a Board of Directors made up from these members, an Executive Committee (one permanent seat for Lake County, two seats for members with 30,000 or more residents and six at large seats), a Legislative Committee and five staff members. SWALCO is established pursuant to the Intergovernmental Cooperation Act of the State of Illinois, the Illinois Local Solid Waste Disposal Act, the Illinois Planning and Recycling Act and Lake County Board Resolution #38 of September 12, 1989. Operations began on February 21, 1991. Following criteria established by GASB, SWALCO is not considered a component unit of the county.

MISSION STATEMENT AND OBJECTIVES

SWALCO implements a regional approach to solid waste management by addressing the economic, political and environmental issues in Lake County, and by meeting the following objectives:

- > Implement and update the Lake County Solid Waste Management Plan.
- > Facilitate an efficient, reliable and environmentally sound waste disposal system.
- > Advise and assist SWALCO members regarding solid waste management issues.
- > Educate the public regarding the implications of solid waste management options.
- > Identify and disseminate information regarding techniques to reduce, reuse and recycle solid waste.

The entity generally does not dispose of solid waste for its members.

FUNDING

The Agency is funded from a surcharge imposed at sanitary landfills. The surcharge also funds the Lake County Health Department's enforcement program. The Agency also receives a yearly operations and maintenance fee from its members based on the number of households in each member community.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

SWALCO is presented following enterprise fund accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

ASSETS, LIABILITIES AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. SWALCO's deposits and investments are maintained by the Treasurer of Lake County in pooled deposit and investment accounts. The county's policy is to maintain collateral for all deposits.

Receivables/Payables

Other receivables consist of membership fees being paid over a number of years from member communities and other miscellaneous amounts due to SWALCO. Breakdown of accounts receivable is as follows:

	<u>2014</u>	<u>2013</u>
Statutory fee receivable	\$ 183,583	\$ 136,795
Member receivable	5,485	40,393
Interest receivable	5,847	729
Total Other Receivables	<u>\$ 194,915</u>	<u>\$ 177,917</u>

SWALCO anticipates no issues with collections from member communities and others. As such, no allowance for uncollectible accounts is considered necessary.

Accounts payable consists of amounts due from SWALCO to outside parties for goods and services received.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET POSITION (cont.)

Designated Assets

During fiscal year 2009, the Agency authorized a replacement account to fund any future replacement of capital items. In addition, the Agency authorized a facilities improvement account to fund improvement projects in 2013. Unspent funds from the facilities improvement account were transferred back to the replacement account in 2013.

Prepaid Insurance

Prepaid insurance represents insurance premiums which benefit subsequent periods.

Capital Assets

Capital assets are generally defined by SWALCO as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year.

Capital assets of SWALCO are recorded at cost or the fair market value at the time of contribution to SWALCO. Major outlays for SWALCO capital assets are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	5 – 10
Buildings	30
Office furniture and equipment	2 – 10

REVENUES AND EXPENSES

SWALCO distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SWALCO's principal ongoing operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 68, *Accounting and Financial reporting for Pensions – an amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 72, *Fair Value Measurement and Application*. When they become effective, application of these standards may restate portions of these financial statements.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

Generally accepted accounting principles require the disclosure of SWALCO's cash and investment balances and their applicable risks. SWALCO's cash and investments are commingled with the Treasurer of Lake County, Illinois; therefore, individual fund bank balances cannot be determined. Please refer to Lake County's statements for further information.

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2014 follows:

	Balance 12/1/13	Increases	Decreases	Balance 11/30/14
Capital assets, not being depreciated				
Land	\$ 166,217	\$ -	\$ -	\$ 166,217
Total Capital Assets Not Being Depreciated	166,217	-	-	166,217
Capital assets being depreciated				
Land improvements	96,352	-	-	96,352
Buildings	1,678,340	-	-	1,678,340
Office furniture and equipment	214,037	-	-	214,037
Total Capital Assets Being Depreciated	1,988,729	-	-	1,988,729
Total Capital Assets	2,154,946	-	-	2,154,946
Less: Accumulated depreciation	(962,897)	(62,045)	-	(1,024,942)
Net Capital Assets	\$ 1,192,049			\$ 1,130,004

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 3 – CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for 2013 follows:

	Balance 12/1/12	Increases	Decreases	Balance 11/30/13
Capital assets, not being depreciated				
Land	\$ 166,217	\$ -	\$ -	\$ 166,217
Total Capital Assets Not Being Depreciated	<u>166,217</u>	<u>-</u>	<u>-</u>	<u>166,217</u>
Capital assets being depreciated				
Land improvements	96,352	-	-	96,352
Buildings	1,678,340	-	-	1,678,340
Office furniture and equipment	<u>214,037</u>	<u>-</u>	<u>-</u>	<u>214,037</u>
Total Capital Assets Being Depreciated	<u>1,988,729</u>	<u>-</u>	<u>-</u>	<u>1,988,729</u>
Total Capital Assets	<u>2,154,946</u>	<u>-</u>	<u>-</u>	<u>2,154,946</u>
Less: Accumulated depreciation	(900,857)	(62,040)	-	(962,897)
Net Capital Assets	<u>\$ 1,254,089</u>			<u>\$ 1,192,049</u>

NOTE 4 – NET POSITION

GASB No. 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. SWALCO has no debt outstanding as of November 30, 2014 or 2013.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the agency's policy to use restricted resources first, then unrestricted resources as they are needed.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 4 – NET POSITION (cont.)

The following calculation supports the investment in capital assets as of November 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Plant in service	\$ 2,154,946	\$ 2,154,946
Accumulated depreciation	<u>(1,024,942)</u>	<u>(962,897)</u>
Total Investment in Capital Assets	<u>\$ 1,130,004</u>	<u>\$ 1,192,049</u>

NOTE 5 – CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

Due to the nature of SWALCO's operations, claims and legal actions against hazardous waste disposal may be incurred. No amount has been recorded as a loss because the probability, or amount, cannot be reasonably estimated.

LANDFILL CONTRACTS

SWALCO has executed waste disposal capacity agreements with seven landfills. The agreements were executed to provide guaranteed disposal capacity to the participating communities over their agreed to terms. The agreements further call for monthly payments to SWALCO based on the tonnage received from the members. Complete terms and conditions of the agreements are available from SWALCO offices.

NOTE 6 – RISK MANAGEMENT

SWALCO is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 7 – EMPLOYEES RETIREMENT SYSTEM

SWALCO has an agent multi-employer defined benefit pension plan with Illinois Municipal Retirement Fund (IMRF). In September 2013, SWALCO established their own IMRF account. Prior to this time, SWALCO employees were covered under the county IMRF account. The IMRF provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained online at www.imrf.org.

All permanent employees expected to work over 600 hours a year are eligible to participate in the IMRF. Employees participating in the IMRF were required by statute to contribute 4.5% of their annual covered salary in calendar years 2014, 2013, and 2012. SWALCO is required to contribute at an actuarially determined rate. SWALCO's required employer rate for 2014 and 2013 under the new IMRF account was 8.80%. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while supplemental retirement benefits rate is set by statute. The employer rate for calendar years 2013 and 2012 were 11.79%, and 11.47%, respectively under the county IMRF account. All employer contributions are now made by SWALCO as of mid-2013. Prior to the change, employer contributions were made by the county with a portion of the cost being allocated to SWALCO. The actuarial valuation of the plan was computed for the county as a whole and; therefore, it is impractical to determine SWALCO's proportionate share prior to the change prior to 2014.

For November 30, 2014, SWALCO's annual pension contribution of \$29,443 was equal to their required contribution. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's overfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 10 year basis. As of December 31, 2014, the most recent actuarial valuation date, the actuarial value of the assets totaled \$1,326,564 and the actuarial accrued liability totaled \$856,121 for an unfunded actuarial accrued liability (UAAL) of (\$470,442) and a funded ratio of 154.95%. The covered payroll for calendar year 2014 was \$361,475. Because the plan was overfunded, there is no ratio of the UAAL to the covered payroll.

Trend Information – SWALCO - IMRF

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
11/30/14	\$ 29,443	100%	\$ -
11/30/13	16,262*	100	-

* Represents SWALCO's annual pension cost for partial year after transition to their own IMRF account.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended November 30, 2014 and 2013

NOTE 7 – EMPLOYEES RETIREMENT SYSTEM (cont.)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Further details regarding the county's entire commitment to the fund can be found in the Lake County, Illinois financial statements.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

All full-time employees participate in a single-employer self-insured health care plan administered through Lake County. The Plan provides limited health care coverage at 100% of the active premium rate. The State of Illinois requires IMRF employers who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees. Therefore an implicit rate subsidy exists for retirees (that is, the difference between the premium rate charged to retirees for the benefit and the estimated rate that would be applicable to those retirees if that benefit were acquired for them as a separate group) resulting from the participation in postemployment healthcare plans that cover both active employees and retirees. The plan operates on a pay-as-you-go funding basis. No assets are accumulated or dedicated to funding the retiree health insurance benefits. The actuarial valuation of the plan is computed for the county as a whole. The Agency's portion of the liability is not considered material to the financial statements.

Further details regarding the county's entire commitment to the health care plan can be found in the Lake County, Illinois financial statements.

NOTE 9 – RELATED PARTIES

SWALCO is a stand-alone government as determined by criteria established by GASB. Lake County does provide certain services including, but not limited to, banking, general ledger, payroll and other data processing.

NOTE 10 – SUBSEQUENT EVENTS

The Agency evaluated subsequent events through April 22, 2015, the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

On April 2, 2015, the Board of Directors of the Agency approved an agreement with Dynamic Recycling to provide transportation and recycling services for the Agency's residential electronic recycling program for an amount not to exceed \$200,000.

REQUIRED SUPPLEMENTARY INFORMATION

SOLID WASTE AGENCY OF LAKE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL

For the Year Ended November 30, 2014

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
County surcharge - current	\$ 635,000	\$ 708,278	\$ 73,278
Member fees	275,920	237,170	(38,750)
Other miscellaneous	163,550	232,559	69,009
Total Operating Revenues	<u>1,074,470</u>	<u>1,178,007</u>	<u>103,537</u>
OPERATING EXPENSES			
Personnel services	402,795	403,571	(776)
Operational services	53,950	43,154	10,796
Contractual services	604,900	526,622	78,278
Capital outlay	3,500	3,273	227
Depreciation	-	62,045	(62,045)
Total Operating Expenses	<u>1,065,145</u>	<u>1,038,665</u>	<u>26,480</u>
OPERATING INCOME	<u>9,325</u>	<u>139,342</u>	<u>130,017</u>
NONOPERATING INCOME			
Investment income	5,000	9,131	4,131
CHANGE IN NET POSITION	<u>14,325</u>	<u>148,473</u>	<u>\$ 134,148</u>
NET POSITION - Beginning of Year	<u>3,493,711</u>	<u>3,493,711</u>	
NET POSITION - END OF YEAR	<u>\$ 3,508,036</u>	<u>\$ 3,642,184</u>	

See independent auditors' report and notes to required supplementary information.

SOLID WASTE AGENCY OF LAKE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL

For the Year Ended November 30, 2013

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
County surcharge - current	\$ 635,000	\$ 672,493	\$ 37,493
Member fees	238,000	288,589	50,589
Other miscellaneous	153,750	183,127	29,377
Total Operating Revenues	<u>1,026,750</u>	<u>1,144,209</u>	<u>117,459</u>
OPERATING EXPENSES			
Personnel services	391,840	391,770	70
Operational services	49,450	40,240	9,210
Contractual services	597,060	533,039	64,021
Capital outlay	3,500	17,490	(13,990)
Depreciation	-	62,040	(62,040)
Total Operating Expenses	<u>1,041,850</u>	<u>1,044,579</u>	<u>(2,729)</u>
OPERATING INCOME			
	<u>(15,100)</u>	<u>99,630</u>	<u>114,730</u>
NONOPERATING INCOME			
Investment income	12,000	6,197	(5,803)
CHANGE IN NET POSITION			
	<u>(3,100)</u>	<u>105,827</u>	<u>\$ 108,927</u>
NET POSITION - Beginning of Year	<u>3,387,884</u>	<u>3,387,884</u>	
NET POSITION - END OF YEAR	<u>\$ 3,384,784</u>	<u>\$ 3,493,711</u>	

See independent auditors' report and notes to required supplementary information.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended November 30, 2014

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the accrual basis of accounting. We also note depreciation expense is not budgeted.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED) For the Year Ended November 30, 2014

The schedule of funding progress, presented as required supplementary information, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule below represents Lake County as a whole, and does not separate SWALCO's proportionate share, which is not considered material to these financial statements.

Entire County Including SWALCO							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)	
12/1/2013	\$ -	\$ 31,964,000	\$ 31,964,000	0.00%	\$ 125,558,900	25.46%	
12/1/2012	-	30,511,959	30,511,959	0.00%	124,979,909	24.41%	
12/1/2011	-	29,659,000	29,659,000	0.00%	119,608,000	24.80%	
12/1/2010	-	27,362,000	27,362,000	0.00%	132,341,000	20.70%	
12/1/2009	-	46,157,000	46,157,000	0.00%	153,979,000	30.00%	
12/1/2008	-	47,307,231	47,307,231	0.00%	144,383,846	32.76%	

We have omitted the IMRF required supplemental information as this is shown in the county financial statements for the period prior to SWALCO changing to their own account and discussed in greater detail in Note 7 of these financial statements.

SOLID WASTE AGENCY OF LAKE COUNTY, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS - ILLINOIS MUNICIPAL RETIREMENT FUND
 (UNAUDITED)
 For the Year Ended November 30, 2014

SWALCO Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ 1,326,564	\$ 856,121	\$ (470,443)	154.95%	\$ 361,475	(130.15%)
12/31/2013	1,183,680	749,769	(433,911)	157.87%	177,774	(244.08%)
12/31/2012	21,443	-	(21,443)	0.00%	-	0.00%

In September 2013, SWALCO established their own IMRF account. Prior to this time, SWALCO employees were covered under the county IMRF account. We have omitted the IMRF required supplemental information for the period prior to SWALCO changing to their own account as this is shown in the county financial statements. This change is discussed in greater detail in Note 7 of the financial statements.