

# **Solid Waste Agency of Lake County, Illinois**

Financial Report  
November 30, 2018

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Solid Waste Agency of Lake County, Illinois (SWALCO), which comprise the statements of net position as of November 30, 2018 and 2017, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### 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.

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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, 2018 and 2017, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary 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, economic, 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.

SWALCO has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

*RSM US LLP*

Chicago, Illinois  
June 3, 2019

**Solid Waste Agency of Lake County, Illinois**

**Statements of Net Position**  
**November 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 2,064,750	\$ 1,967,711
Receivables	162,856	145,042
Prepaid insurance	21,237	20,449
<b>Total current assets</b>	<b>2,248,843</b>	<b>2,133,202</b>
Noncurrent assets:		
Designated assets:		
Equipment replacement fund	479,302	500,000
Restricted assets:		
Net pension asset	766,298	414,707
Capital assets:		
Plant in service	2,154,946	2,154,946
Accumulated depreciation	(1,273,119)	(1,211,074)
<b>Total noncurrent assets</b>	<b>2,127,427</b>	<b>1,858,579</b>
<b>Total assets</b>	<b>4,376,270</b>	<b>3,991,781</b>
<b>Deferred outflows of resources - pension</b>	<b>93,199</b>	<b>146,911</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	18,013	27,400
Accrued payroll	10,160	15,420
Total current liabilities	<b>28,173</b>	<b>42,820</b>
<b>Deferred inflows of resources - pension</b>	<b>323,803</b>	<b>54,305</b>
<b>Net position:</b>		
Net investment in capital assets	881,827	943,872
Restricted for:		
Pension	766,298	414,707
Unrestricted	<b>2,469,368</b>	<b>2,682,988</b>
<b>Total net position</b>	<b>\$ 4,117,493</b>	<b>\$ 4,041,567</b>

See notes to financial statements.

**Solid Waste Agency of Lake County, Illinois**

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended November 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Operating revenues:		
County surcharge - current	\$ 743,223	\$ 700,938
Member fees	287,006	277,770
Other miscellaneous	117,329	101,499
<b>Total operating revenues</b>	<b>1,147,558</b>	<b>1,080,207</b>
Operating expenses:		
Personnel services	460,087	439,534
Operational services	26,544	24,938
Contractual services	537,873	465,486
Buildings and equipment maintenance	8,906	2,189
Pension (income) expense	(24,856)	37,764
Depreciation	62,045	62,044
<b>Total operating expenses</b>	<b>1,070,599</b>	<b>1,031,955</b>
<b>Operating income</b>	<b>76,959</b>	<b>48,252</b>
Nonoperating (expense) income:		
Investment (expense) income	(1,033)	5,297
<b>Total nonoperating (expense) income</b>	<b>(1,033)</b>	<b>5,297</b>
<b>Change in net position</b>	<b>75,926</b>	<b>53,549</b>
Net position - beginning of year	<b>4,041,567</b>	<b>3,988,018</b>
Net position - end of year	<b>\$ 4,117,493</b>	<b>\$ 4,041,567</b>

See notes to financial statements.

**Solid Waste Agency of Lake County, Illinois**

**Statements of Cash Flows**  
**Years Ended November 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Cash received from members and the County	\$ 1,128,956	\$ 1,076,534
Paid to suppliers for goods and services	(563,114)	(532,252)
Paid to employees for services	(488,468)	(422,292)
<b>Net cash provided by operating activities</b>	<b>77,374</b>	<b>121,990</b>
Cash flows from investing activities:		
Investment (expense) income	(1,033)	5,297
<b>Net change in cash and cash equivalents</b>	<b>76,341</b>	127,287
Cash and cash equivalents - beginning of year	<b>2,467,711</b>	2,340,424
Cash and cash equivalents - end of year	<b>\$ 2,544,052</b>	<b>\$ 2,467,711</b>
Reconciliation of operating income to net cash flows provided by operating activities:		
Operating income	\$ 76,959	\$ 48,252
Noncash items included in operating income:		
Depreciation	62,045	62,044
Changes in assets and liabilities:		
Other receivables	(17,814)	(3,459)
Prepaid insurance	(788)	(215)
Accounts payable	(9,387)	(4,607)
Accrued payroll	(5,260)	2,732
Pension related deferrals and liabilities	(28,381)	17,243
<b>Net cash provided by operating activities</b>	<b>\$ 77,374</b>	<b>\$ 121,990</b>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and investments	\$ 2,064,750	\$ 1,967,711
Equipment replacement fund	479,302	500,000
<b>Cash and cash equivalents</b>	<b>\$ 2,544,052</b>	<b>\$ 2,467,711</b>

See notes to financial statements.

## **Solid Waste Agency of Lake County, Illinois**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies**

The financial statements of Solid Waste Agency of Lake County, Illinois (SWALCO or the Agency), 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.

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

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**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

*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, deferred outflows of resources, liabilities, deferred inflows of resources and net position:**

##### *Deposits*

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 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*

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>2018</u>	<u>2017</u>
Statutory fee receivable	\$ 159,839	\$ 145,042
Interest receivable	3,017	-
<b>Total receivables</b>	<b>\$ 162,856</b>	<b>\$ 145,042</b>

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.

##### *Restricted Assets*

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

## **Solid Waste Agency of Lake County, Illinois**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### *Designated Assets*

During fiscal year 2009, the Agency authorized a replacement account to fund any future replacement of capital items. The Agency authorized an increase in this account in fiscal 2015 to \$500,000. As of November 30, 2018, the Agency had designated assets of \$479,302.

##### *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 estimated acquisition 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

##### *Pensions*

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF or the Fund) and additions to / deductions from IMRF's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### *Deferred Outflows of Resources*

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

##### *Deferred Inflows of Resources*

A deferred inflow of resources represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that future time.

##### *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.

## Solid Waste Agency of Lake County, Illinois

### Notes to Financial Statements

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#### Note 2. Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, SWALCO's deposits may not be returned to them. SWALCO is appropriately collateralized for all deposits and, therefore, is not exposed to custodial credit risk.

#### Note 3. Changes in Capital Assets

A summary of changes in capital assets for 2018 follows:

	Balance December 1, 2017	Additions	Retirements	Balance November 30, 2018
Capital assets not being depreciated:				
Land	\$ 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	(1,211,074)	(62,045)	-	(1,273,119)
Net capital assets	<u>\$ 943,872</u>			<u>\$ 881,827</u>

A summary of changes in capital assets for 2017 follows:

	Balance December 1, 2016	Additions	Retirements	Balance November 30, 2017
Capital assets not being depreciated:				
Land	\$ 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	(1,149,030)	(62,044)	-	(1,211,074)
Net capital assets	<u>\$ 1,005,916</u>			<u>\$ 943,872</u>

## **Solid Waste Agency of Lake County, Illinois**

### **Notes to Financial Statements**

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#### **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, 2018 or 2017.

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.

#### **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.

## **Solid Waste Agency of Lake County, Illinois**

### **Notes to Financial Statements**

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#### **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.

#### **Note 7. Employee Retirement System**

*Plan Description.* The Agency's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Agency's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

*Benefits Provided.* IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3 percent of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

## Solid Waste Agency of Lake County, Illinois

### Notes to Financial Statements

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#### Note 7. Employee Retirement System (Continued)

*Employee Covered by Benefit Terms.* As of December 31, 2017 and 2016, the following employees were covered by the benefit terms:

	2017	2016
Retirees and beneficiaries currently receiving benefits	2	2
Inactive plan members entitled to but not yet receiving benefits	2	2
Active plan members	5	5
<b>Total</b>	<b>9</b>	<b>9</b>

*Contributions.* As set by statute, the Agency's Regular Plan Members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Agency's annual contribution rate for calendar years 2018 and 2017 was 0.79 percent and 0.85 percent, respectively. SWALCO also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability (Asset).* The Agency's net pension liability (asset) was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumption.* The following are the methods and assumptions used to determine total pension liability (asset) at December 31, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50 percent.
- **Salary Increases** were expected to be 3.39 percent to 14.25 percent, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50 percent.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- For **Non-disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

There were no benefit changes during the year.

## Solid Waste Agency of Lake County, Illinois

### Notes to Financial Statements

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#### Note 7. Employee Retirement System (Continued)

The **Long-Term Expected Rate of Return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Project Returns / Risk	
		One Year Arithmetic	Ten Year Geometric
Domestic equity	37.0 %	8.30	6.85
International equity	18.0	8.45	6.75
Fixed income	28.0	3.05	3.00
Real estate	9.0	6.90	5.75
Alternative investments	7.0		
Private equity	-	12.45	7.35
Hedge funds	-	5.35	5.05
Commodities	-	4.25	2.65
Cash equivalents	1.0	2.25	2.25
	<hr/> <u>100.0 %</u>		

*Discount Rate.* A single discount rate of 7.50 percent was used to measure the total pension liability (asset). The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.31 percent, and the resulting single discount rate is 7.50 percent.

## Solid Waste Agency of Lake County, Illinois

### Notes to Financial Statements

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#### Note 7. Employee Retirement System (Continued)

*Changes in Net Pension Liability (Asset).* The following table shows the components of the Agency's annual pension liability (asset) and related plan fiduciary net position for the calendar years ended December 31, 2017 and 2016:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2015	\$ 2,269,925	\$ 2,664,464	\$ (394,539)
Changes for the year:			
Service cost	47,865	-	47,865
Interest on the total pension liability	168,268	-	168,268
Changes of benefit terms	-	-	-
Differences between expected and actual			
Experience of the total pension liability	(20,058)	-	(20,058)
Changes of assumptions	-	-	-
Contributions - employer	-	3,416	(3,416)
Contributions - employees	-	17,879	(17,879)
Net investment income	-	185,576	(185,576)
Benefit payments, including refunds of employee contributions	(100,563)	(100,563)	-
Other (net transfer)	-	9,372	(9,372)
Net changes	95,512	115,680	(20,168)
Balances at December 31, 2016	2,365,437	2,780,144	(414,707)
Changes for the year:			
Service cost	47,951	-	47,951
Interest on the total pension liability	175,349	-	175,349
Changes of benefit terms	-	-	-
Differences between expected and actual			
Experience of the total pension liability	(6,760)	-	(6,760)
Changes of assumptions	(70,935)	-	(70,935)
Contributions - employer	-	3,441	(3,441)
Contributions - employees	-	18,222	(18,222)
Net investment income	-	513,968	(513,968)
Benefit payments, including refunds of employee contributions	(102,863)	(102,863)	-
Other (net transfer)	-	(38,435)	38,435
Net changes	42,742	394,333	(351,591)
Balances at December 31, 2017	\$ 2,408,179	\$ 3,174,477	\$ (766,298)

## Solid Waste Agency of Lake County, Illinois

### Notes to Financial Statements

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#### Note 7. Employee Retirement System (Continued)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the plan's net pension liability (asset), calculated using a single discount rate of 7.50 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is 1.0 percent lower or 1.0 percent higher:

	1% Decrease (6.50%)	Current (7.50%)	1% Increase (8.50%)
Net pension asset	\$ (487,197)	\$ (766,298)	\$ (1,002,027)

*Pension Expense (Income), Deferred Outflows and Resources, and Deferred Inflows of Resources Related to Pensions.* For the year ended November 30, 2018, the Agency recognized pension income of \$5,494. At November 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	November 30, 2018		November 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,897	\$ -	\$ 53,785
Changes of assumptions	- -	53,951	5,733	-
Net difference between projected and actual				
earnings on pension plan investments	90,150	247,955	138,124	520
Total deferred amounts to be recognized				
in pension expense in future periods	90,150	323,803	143,857	54,305
Employer contributions made subsequent to				
the measurement date	3,049	- -	3,054	-
Total deferred amounts related to pensions	<u>\$ 93,199</u>	<u>\$ 323,803</u>	<u>\$ 146,911</u>	<u>\$ 54,305</u>

## **Solid Waste Agency of Lake County, Illinois**

### **Notes to Financial Statements**

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#### **Note 7. Employee Retirement System (Continued)**

The Agency reported \$3,049 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of net pension liability (asset) in the reporting year ending November 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year ending December 31,	Net Deferred Outflows / Inflows of Resources
2018	\$ (47,164)
2019	(42,952)
2020	(78,266)
2021	(65,271)
2022	-
Thereafter	-
Total	<u>\$ (233,653)</u>

#### **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 percent 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. Pronouncements Issued But Not Yet Adopted**

The Governmental Accounting Standards Board (GASB) recently issued the following statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the Agency beginning with its year ending November 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

## **Solid Waste Agency of Lake County, Illinois**

### **Notes to Financial Statements**

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#### **Note 10. Pronouncements Issued But Not Yet Adopted (Continued)**

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the Agency beginning with its year ending November 30, 2020. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *Leases*, will be effective for the Agency beginning with its year ending November 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt Including Direct Borrowing Placements*, will be effective for the Agency beginning with its year ended November 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of Construction Period*, will be effective for the Agency beginning with its year ended November 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and 61*, will be effective for the Agency beginning with its year ended November 30, 2020. This Statement improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously were reported inconsistently. In addition, it requires reporting of information about component units if the government acquires 100 percent equity interest in the component unit.

Management of the Agency is still in the process of determining what effect, if any, the above statements will have on the financial statements and related disclosures.

#### **Note 11. Subsequent Events**

The Agency evaluated subsequent events through June 3, 2019, for events requiring recording or disclosure in the financial statements. No significant events were noted.

## **Required Supplementary Information**

**Solid Waste Agency of Lake County, Illinois**

**Statement of Revenues, Expenses and Changes in Net Position, Budget and Actual**  
**Year Ended November 30, 2018**

	Original and Final Budget	Actual	Variance
Operating revenues:			
County surcharge - current	\$ 668,720	\$ 743,223	\$ 74,503
Member fees	278,726	287,006	8,280
Other miscellaneous	104,000	117,329	13,329
<b>Total operating revenues</b>	<b>1,051,446</b>	<b>1,147,558</b>	<b>96,112</b>
Operating expenses:			
Personnel services	449,482	460,087	(10,605)
Operational services	38,100	26,544	11,556
Contractual services	555,575	537,873	17,702
Buildings and equipment maintenance	8,500	8,906	(406)
Depreciation	-	62,045	(62,045)
Pension expense (income)	3,416	(24,856)	28,272
<b>Total operating expenses</b>	<b>1,055,073</b>	<b>1,070,599</b>	<b>(15,526)</b>
<b>Operating (loss) income</b>	<b>(3,627)</b>	<b>76,959</b>	<b>80,586</b>
Nonoperating income (expense):			
Investment income (expense)	8,800	(1,033)	(9,833)
<b>Change in net position</b>	<b>\$ 5,173</b>	<b>75,926</b>	<b>\$ 70,753</b>
Net position - beginning of year		<b>4,041,567</b>	
Net position - end of year		<b>\$ 4,117,493</b>	

**Solid Waste Agency of Lake County, Illinois**

**Statement of Revenues, Expenses and Changes in Net Position, Budget and Actual**  
**Year Ended November 30, 2017**

	Original and Final Budget	Actual	Variance
Operating revenues:			
County surcharge - current	\$ 677,100	\$ 700,938	\$ 23,838
Member fees	241,160	277,770	36,610
Other miscellaneous	88,900	101,499	12,599
<b>Total operating revenues</b>	<b>1,007,160</b>	<b>1,080,207</b>	<b>73,047</b>
Operating expenses:			
Personnel services	435,021	439,534	(4,513)
Operational services	33,600	24,938	8,662
Contractual services	541,189	465,486	75,703
Buildings and equipment maintenance	2,575	2,189	386
Depreciation	-	62,044	(62,044)
Pension expense	3,552	37,764	(34,212)
<b>Total operating expenses</b>	<b>1,015,937</b>	<b>1,031,955</b>	<b>(16,018)</b>
<b>Operating (loss) income</b>	<b>(8,777)</b>	<b>48,252</b>	<b>57,029</b>
Nonoperating income:			
Investment income	9,000	5,297	(3,703)
<b>Change in net position</b>	<b>\$ 223</b>	<b>53,549</b>	<b>\$ 53,326</b>
Net position - beginning of year		<u>3,988,018</u>	
Net position - end of year		<u>\$ 4,041,567</u>	

**Solid Waste Agency of Lake County, Illinois**

**Note to Required Supplementary Information  
For the Year Ended November 30, 2017**

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*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. Depreciation expense is not budgeted.

**Solid Waste Agency of Lake County, Illinois**

**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios  
Illinois Municipal Retirement Fund**

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 47,951	\$ 47,865	\$ 44,802	\$ 48,289
Interest on the total pension liability	175,349	168,268	162,272	150,456
Differences between expected and actual experience	(6,760)	(20,058)	(76,621)	(113,552)
Changes of assumptions	(70,935)	-	-	76,878
Benefit payments, including refunds of member contributions	(102,863)	(100,563)	(3,502)	(2,077)
Net change in total pension liability	42,742	95,512	126,951	159,994
Total pension liability - beginning	<u>2,365,437</u>	<u>2,269,925</u>	<u>2,142,974</u>	<u>1,982,980</u>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,408,179</b>	<b>\$ 2,365,437</b>	<b>\$ 2,269,925</b>	<b>\$ 2,142,974</b>
Plan fiduciary net position:				
Employer contributions	\$ 3,441	\$ 3,416	\$ 3,751	\$ 29,569
Employee contributions	18,222	17,879	17,770	16,266
Net investment income	513,968	185,576	14,083	165,146
Benefit payments, including refunds of member contributions	(102,863)	(100,563)	(3,502)	(2,077)
Other (net transfer)	(38,435)	9,372	(175,295)	(86,686)
Net change in plan fiduciary net position	394,333	115,680	(143,193)	122,218
Plan fiduciary net position - beginning	<u>2,780,144</u>	<u>2,664,464</u>	<u>2,807,657</u>	<u>2,685,439</u>
<b>Total fiduciary net position - ending (b)</b>	<b>\$ 3,174,477</b>	<b>\$ 2,780,144</b>	<b>\$ 2,664,464</b>	<b>\$ 2,807,657</b>
Employer's net pension liability (asset) - ending (a) - (b)	<u>\$ (766,298)</u>	<u>\$ (414,707)</u>	<u>\$ (394,539)</u>	<u>\$ (664,683)</u>
Plan fiduciary net position as a percentage of the total pension liability	131.82%	117.53%	117.38%	131.02%
Covered-employee payroll	\$ 404,931	\$ 397,304	\$ 394,891	\$ 366,905
Employer's net pension liability as a percentage of covered-employee payroll	(189.24)%	(104.38)%	(99.91)%	(181.16)%

**Notes to Schedule:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## Solid Waste Agency of Lake County, Illinois

### Schedule of Employer Contributions - Illinois Municipal Retirement Fund

Calendar Year Ended December 31,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2017	\$ 3,442	\$ 3,441	\$ 1	\$ 404,931	0.85%
2016	3,417	3,416	1	397,304	0.86%
2015	3,751	3,751	-	394,891	0.95%
2014	30,013	29,569	444	366,905	8.06%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

#### Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate\*

#### Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

#### Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial cost method:

Aggregate entry age normal

Amortization method:

Level percentage of payroll, closed

Remaining amortization period:

Taxing bodies: 26-year closed period

Asset valuation method:

5-year smoothed market; 20% corridor

Wage growth:

3.50%

Price inflation:

2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary increases:

3.75% to 14.50%, including inflation

Investment rate of return:

7.50%

Retirement age:

Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality:

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other information:

There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2015, actuarial valuation; note two-year lag between valuation and rate setting.