



# **Lake County Public Works Northwest Wholesale Sewer System**

Schedule of Income and Expenses  
For the Year Ended November 30, 2017

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RSM US LLP

## **Independent Auditor's Report on the Supplementary Information**

To the Public Work Committee  
Lake County Public Works  
Waterworks and Sewerage Systems Fund  
Libertyville, Illinois

We have audited the basic financial statements of Lake County Public Works, Waterworks and Sewerage Systems Fund (Public Works), an enterprise fund of Lake County, Illinois, as of and for the year ended November 30, 2017, and have issued our report thereon, which contains an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended November 30, 2017, as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended November 30, 2017, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended November 30, 2017, is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Chicago, Illinois  
October 30, 2018

**Lake County Public Works**  
**Northwest Wholesale Sewer System**

**Schedule of Income and Expenses**  
**For the Year Ended November 30, 2017**

Operating revenues:	
Sewer charges	\$ 6,004,058
NW I&I excess flow surcharge	688,113
Total operating revenues	<u>6,692,171</u>
Operating expenses:	
Personnel services	
Salaries and wages	431,386
Pension - IMRF and Social Security	79,115
Total personnel services	<u>510,501</u>
Commodities:	
Office supplies and maintenance	2,769
Housekeeping supplies	1,494
Gasoline	3,847
Buildings and ground supplies	7,892
Operational supplies	58,896
Chemical supplies	14,067
Uniforms	5,052
Medical supplies	161
Noncapitalized equipment and improvements	32,545
Miscellaneous	889
Total commodities	<u>127,612</u>
Contractual:	
Insurance:	
Employees' life, health and dental	120,735
Unemployment	54,489
Miscellaneous benefits	8,018
Gas (utility)	13,221
Electricity	97,593
Telephone and telemetry	7,895
Wholesale sewage treatment	3,976,071
Vehicle maintenance	10,327
Buildings and equipment maintenance	34,860
Equipment rental/real estate lease	1,321
Disposal service	3,019
Miscellaneous	234,576
Total contractual	<u>4,562,125</u>

(Continued)

**Lake County Public Works  
Northwest Wholesale Sewer System**

**Schedule of Income and Expenses  
For the Year Ended November 30, 2017**

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Depreciation	\$ 314,985
Total operating expenses	<u>5,515,223</u>
<b>Operating income</b>	<u>1,176,948</u>
Nonoperating revenues (expenses):	
Interest rate subsidy	845
Interest expense	<u>(2,431)</u>
Total nonoperating (expenses)	<u>(1,586)</u>
<b>Income before contributions and other items</b>	<u>1,175,362</u>
Capital contributions - connection fees	72,257
Transfer to debt service reserve	<u>(688,113)</u>
<b>Net increase to depreciation extension and improvement reserve</b>	<u><u>\$ 559,506</u></u>

See accompany notes to schedule.

**Lake County Public Works  
Northwest Wholesale Sewer System**

**Notes to Schedule**

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**Note 1. Nature of Schedule of Income and Expenses**

The Schedule of Income and Expenses (schedule) is reported using 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. The revenues and expenses presented here are allocated to the Northwest Wholesale Sewer System from the Public Works' fiscal year 2017 audited financial statements dated June 25, 2018.

**Note 2. Reconciling Items**

The attached schedule was not prepared in accordance with accounting principles generally accepted in the United States of America and only represent revenues and expenses associated with the Northwest Wholesale Sewer System's operations and do not include all revenue and expense categories as shown in the Public Works' fiscal year 2017 audited financial statements. Items not presented in the attached schedule include:

- Noncash capital contributions
- Proceeds from sale of capital assets
- Investment income

The above items were not allocated to the Northwest Wholesale Sewer System which required the schedule presented here to only report similar revenues and expenses as used in designing the Public Works' current rate structure during the most recent rate study.

**Note 3. Items Specific to the Northwest Wholesale Sewer System**

**Interest expense, issuance costs, interest charged to construction and interest rate subsidy:** The Build America Bond Series of 2010A was issued to complete various water and sewer capital projects. The associated interest expense, issuance costs and interest rate subsidy were allocated to the Northwest Wholesale Sewer System based on the actual projects funded through this debt that were directly related to the Northwest Wholesale Sewer System customers. Principal payments and interest charged to construction are not included in the schedule as the related capital improvement charges are recovered through depreciation.

**I&I excess flow surcharge revenue:** Public Works implemented an excess flow surcharge \$1.50 per month per Residential Customer Equivalent in 2014 to cover the costs of the I&I Lagoon Improvement project. The revenues from the surcharges are included in the operating revenues on the schedule on page 2. Due to the fact that these revenues are required to be spent on the I&I Lagoon Improvement project and are not available to cover operating expenses, the revenues were backed out accordingly and shown as a transfer to the debt service reserve on the schedule on page 2.