

Lake County Public Works Northwest Wholesale Sewer System

Schedule of Income and Expenses
For the Year Ended November 30, 2019

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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 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, 2019, and have issued our report thereon, dated August 10, 2020, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to August 10, 2020.

The accompanying Schedule of Income and Expenses 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 has been subjected to the auditing procedures applied in the audits 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 is fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 2.

RSM US LLP

Chicago, Illinois
September 17, 2020

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

**Schedule of Income and Expenses
For the Year Ended November 30, 2019**

Operating revenues:	
Sewer charges	\$ 7,146,450
NW I&I excess flow surcharge	704,339
Total operating revenues	<u>7,850,789</u>
Operating expenses:	
Personnel services	
Salaries and wages	553,599
Pension - IMRF and Social Security	85,114
Total personnel services	<u>638,713</u>
Commodities:	
Office supplies and maintenance	5,045
Housekeeping supplies	2,302
Gasoline	17,429
Buildings and ground supplies	5,856
Operational supplies	66,456
Uniforms	4,869
Medical supplies	1,181
Noncapitalized equipment and improvements	13,391
Total commodities	<u>116,529</u>
Contractual:	
Insurance:	
Employees' life, health and dental	151,920
Unemployment	78,427
Miscellaneous benefits	15,828
Gas (utility)	20,589
Electricity	109,966
Telephone and telemetry	18,168
Wholesale sewage treatment	4,139,031
Vehicle maintenance	13,373
Buildings and equipment maintenance	48,513
Equipment rental/real estate lease	1,255
Disposal service	553
Miscellaneous	323,710
Total contractual	<u>4,921,333</u>

(Continued)

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

**Schedule of Income and Expenses
For the Year Ended November 30, 2019**

Depreciation	\$ 658,790
Total operating expenses	6,335,365
Operating income	1,515,424
Nonoperating revenues (expenses):	
Interest rate subsidy	792
Interest expense	(2,401)
Total nonoperating (expenses)	(1,609)
Income before contributions and other items	1,513,815
Capital contributions - connection fees	145,977
Transfer to debt service reserve	(704,339)
Net increase to depreciation extension and improvement reserve	\$ 955,453

See accompanying notes to schedule.

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

Notes to Schedule

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 2019 audited financial statements dated August 10, 2020.

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 represents revenues and expenses associated with the Northwest Wholesale Sewer System's operations and does not include all revenue and expense categories as shown in the Public Works' fiscal year 2019 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. The schedule presented here only reports 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.