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NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT, IL

ANNUAL FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

YEAR ENDED APRIL 30, 2014

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President
and Members of the Board of Trustees
Northern Moraine Wastewater Reclamation District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern Moraine Wastewater Reclamation District, Illinois as of and for the year ended April 30, 2014, which collectively comprise the District's basic financial statements as listed in the accompanying 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.

Auditor's Responsibility

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

An audit 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 financial statement 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern Moraine Wastewater Reclamation District, Illinois as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Northern Moraine Wastewater Reclamation District, Illinois' financial statements as a whole. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate 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 audit of the financial statements and certain 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

George Roach & Associates, P.C.

George Roach & Associates, P.C.
Crystal Lake, Illinois
July 2, 2014

As management of the Northern Moraine Wastewater Reclamation District (District), we offer readers of the District's statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended April 30, 2014

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities and deferred inflows at April 30, 2014 by $9,561,823 (net position).
- The District's total net position increased by $194,031.
- At April 30, 2014, the District's governmental funds reported combined ending fund balances of $229,385, an increase of $23,492 in comparison with the prior year.
- At April 30, 2014, the fund balance for the General Fund was $221,496.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements —

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position —

Accrual Basis presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities —

Accrual Basis presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis.

The government-wide financial statements show functions of the District that are principally supported by taxes, fees, and other revenues (governmental activities). The District does conduct functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include providing general governmental administrative services. The District conducts business-type activities by providing wastewater treatment to residences within their planning area.

Fund financial statements —

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds —

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet — Modified Accrual Basis and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances — Modified Accrual Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. The General Fund is used to account for funds received from general property taxes and other general revenue, and to account for expenditures made for general District purposes. The Audit Fund is used to account for funds received from audit taxes and fees and to account for expenditures made for audit service purposes.

Information is presented separately in the governmental fund Balance Sheet - Modified Accrual Basis and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances — Modified Accrual Basis for the General Fund and the Audit Fund.

Notes to the financial statements —

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information —

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in meeting its obligation to provide as fully adequate as possible services to all of its residents.

The District adopts an annual budget and appropriation ordinance that includes both the General Fund and the Audit Fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the adopted budget and appropriation ordinance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $9,561,823 at April 30, 2014. The largest portion of the District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture and equipment, computer equipment, and vehicles); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

The District's net position increased by $194,031 during the year ended April 30, 2014.

Statement of Net Position

	Government-wide Activities	
	04/30/13	**04/30/14**
Current and Other Assets	$ 5,715,594	$ 5,075,929
Fixed Assets	10,316,073	10,846,728
Total Assets	$ 16,031,667	$ 15,922,657
Bonds Payable	$ 6,300,000	$ 6,000,000
Bond discounts	(166,655)	(155,544)
Other Liabilities	340,026	329,120
Total Liabilities	6,473,371	6,173,576
Deferred Inflows -- property taxes	190,504	187,258
Net Position:		
Net Investment in Capital Assets	4,016,073	5,002,272
Restricted	3,825,968	3,894,893
Unrestricted	1,525,751	664,658
Total Net Position	$ 9,367,792	$ 9,561,823

Governmental activities - Governmental activities increased the District's net position by $194,031. The key elements of the increase are as follows:

Government-wide Activities

	4/30/2013	4/30/2014
Revenues		
Proprietary activities	$ 1,946,514	$ 1,950,885
General Revenues		
Property Taxes	224,343	192,275
Replacement Taxes	1,354	1,550
Other	-	5,021
Interest	55,848	17,915
Total Revenues	2,228,059	2,167,646
Expenses		
General Government	143,769	175,406
Proprietary activities	1,773,949	1,813,285
Debt Service	185,833	181,848
Total Expenses	2,103,551	2,170,539
Increase/(Decrease) in Net Position	124,508	(2,893)
Net Position - Beginning of Year	9,182,612	9,367,792
Contributed Capital	60,672	196,924
Net Position - End of Year	$ 9,367,792	$ 9,561,823

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds —

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At April 30, 2014, the District's governmental funds reported combined ending, fund balances of $229,385, an increase of $23,492 in comparison with the prior year.

General Fund (Corporate Fund) —

The focus of the District's General Fund is to provide information on the revenues and expenditures of the funds that the District receives from its corporate property tax levy and from other unrestricted sources such as personal property replacement taxes, foreign fire insurance taxes, and interest on bank deposits, and associated expenditures.

The General Fund balance at April 30, 2014 was $221,496, which was an increase of $22,811 during the year ended April 30, 2014.

Audit Fund —

The focus of the District's Audit Fund is to provide information on the revenues and expenditures of the funds that the District receives from its audit property tax levy, interest on bank deposits, and associated expenditures.

The Audit Fund balance at April 30, 2014 was $7,889, which was an increase of $681 during the year ended April 30, 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not amend its budget and appropriations ordinance for the fiscal year ended April 30, 2014, therefore, the amounts shown as original and final appropriations are the same.

Proprietary funds —

The focus of the District's proprietary fund is to provide the same type of information found in the government-wide financial statements, but in more detail.

At April 30, 2014, the District's proprietary fund reported ending fund balance of $9,332,438, an increase of $170,539 in comparison with the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets —

The District's investment in capital assets for its proprietary activities as of April 30, 2014 amounts to $10,846,728 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings, furniture and equipment, computer equipment, and vehicles. The total increase in the District's investment in capital assets for the year ended April 30, 2014 was $267,066, attributable to the purchase of various assets offset by depreciation and disposals.

Long-term debt —

At April 30, 2014, the District had one bond issue outstanding consisting of current principal due of $305,000 and long-term due of $5,695,000. The bond proceeds are being used to fund additional infrastructure and construction projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Trustees of the District considered the following factors in preparing the budget and appropriations ordinance for the District, which was adopted for the 2013-14 fiscal year:

- The equalized assessed valuation (EAV) for the District for 2013 is $240,617,501. This represents a decrease in EAV of $26,141,798 in comparison with the prior year.

2014 REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Northern Moraine Wastewater Reclamation District, P.O. Box 240, Island Lake, IL 60042.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Statement of Net Position
Year Ended April 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments, at cost	$ 230,647	$ 3,998,310	$ 4,228,957
Accounts receivable	-	260,056	260,056
Property tax receivable	187,258	-	187,258
Accrued interest receivable	-	3,992	3,992
Deposit with paying agent	-	395,666	395,666
Fixed Assets	-	10,846,728	10,846,728
Total Assets	$ 417,905	$ 15,504,752	$ 15,922,657
Liabilities			
Accounts payable	$ 1,262	$ 184,542	$ 185,804
Payroll accruals	-	52,650	52,650
Accrued Interest	-	90,666	90,666
Revenue Bonds--current portion	-	305,000	305,000
Revenue bonds payable	-	5,695,000	5,695,000
Bond Discount	-	(155,544)	(155,544)
Total Liabilities	1,262	6,172,314	6,173,576
Deferred Inflow -- Property taxes	187,258	-	187,258
Net Position			
Net Investment in capital assets	-	5,002,272	5,002,272
Restricted	7,889	3,887,004	3,894,893
Unrestricted	221,496	443,162	664,658
Total Net Position	$ 229,385	$ 9,332,438	$ 9,561,823

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Statement of Activities and Changes in Net Position
Year Ended April 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Governmental Activities	Net Revenue (Expense) and Changes in Net Position: Business-Type Activities	Net Revenue (Expense) and Changes in Net Position: Totals
Governmental Activities							
General Government	$ 175,406	$ -	$ -	$ -	$ 175,406	$ -	$ 175,406
Total Governmental Activities	175,406	-	-	-	175,406	-	175,406
Business-Type Activities							
Proprietary Activities	1,813,285	1,950,885	-	-	-	137,600	137,600
Interest on Long-term debt	181,848	-	-	-	-	(181,848)	(181,848)
Total Business-Type Activities	1,995,133	1,950,885	-	-	-	(44,248)	(44,248)
Total Primary Government	$ 2,170,539	$ 1,950,885	$ -	$ -	175,406	(44,248)	131,158
		Property Taxes			192,275	-	192,275
		Intergovernmental revenue			1,550	-	1,550
		Miscellaneous revenue			5,021	-	5,021
		Investment Income			52	17,863	17,915
		Total Revenues			198,898	17,863	216,761
		Changes in Net Position			23,492	(26,385)	(2,893)
		Net Position Beginning of Year			205,893	9,161,899	9,367,792
		Capital Contributions			-	196,924	196,924
		Total Net Position			$ 229,385	$ 9,332,438	$ 9,561,823

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Combined Balance Sheet - Governmental Funds
Year Ended April 30, 2014

	General Fund	Audit Fund	Total
Assets			
Cash and investments, at cost	$ 222,758	$ 7,889	$ 230,647
Property tax receivable	180,526	6,732	187,258
Total Assets	$ 403,284	$ 14,621	$ 417,905
Liabilities			
Accounts payable/accruals	$ 1,262	$ -	$ 1,262
Deferred property taxes	180,526	6,732	187,258
Total Liabilities	181,788	6,732	188,520
Fund Balance			
Nonspendable	-	-	-
Restricted	-	7,889	7,889
Committed	-	-	-
Assigned -- Capital Improvements	50,000	-	50,000
Unassigned	171,496	-	171,496
Total Fund Balance	221,496	7,889	229,385
Total Liabilities and Fund Balance	$ 403,284	$ 14,621	$ 417,905

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended April 30, 2014

		Governmental Fund Types	
	Total	**General**	**Audit**
Revenue			
Property taxes	$ 192,275	$ 185,244	$ 7,031
Replacement taxes	1,550	1,550	-
Other income	5,021	5,021	-
Interest	52	52	-
Total Revenue	198,898	191,867	7,031
Expenditures			
Personal services	13,400	13,400	-
Contractual services	139,660	133,310	6,350
Commodities	22,346	22,346	-
Total Expenditures	175,406	169,056	6,350
Excess (Deficiency) of Revenue over Expenditures	23,492	22,811	681
District Fund Balance			
Balance, beginning of year	205,893	198,685	7,208
Total District Fund Balance	$ 229,385	$ 221,496	$ 7,889

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Reconciliation of the Governmental Fund Balance to Statement of Net Position
Year Ended April 30, 2014

Total Fund Balances--Total Governmental Funds	$	229,385
Balances for modified accrual and accrual are the same		-
Net Position of Governmental Activities	$	229,385

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Balance Sheet -- Proprietary Fund Types
Year Ended April 30, 2014

Assets		
Cash	$	872,613
Investments		3,125,697
Total Cash & Investments		3,998,310
Sewer billings receivable, net		260,056
Interest receivable		3,992
Deposit with paying agent		395,666
Fixed assets (net of accumulated depreciation)		10,846,728
Total Assets	$	15,504,752
Liabilities		
Accounts payable/accruals	$	184,542
Accrued payroll and compensation		52,650
Accrued interest payable		90,666
Revenue bonds payable-current portion		305,000
Revenue bonds payable		5,695,000
Revenue bonds--discount		(155,544)
Total Liabilities		6,172,314
District Equity		
Reserve for authorized expenditures		3,887,004
Contributed capital		8,858,752
Retained earnings (deficit)		(3,413,318)
Total District Equity		9,332,438
Total Liabilities and District Equity	$	15,504,752

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Combined Statement of Revenue, Expenses, and Changes in Fund Balance - Proprietary Funds
Year Ended April 30, 2014

		Sewerage Enterprise Fund
Revenue		
Sewer charges	$	1,859,337
Penalties		85,824
Permit fees		2,600
Miscellaneous		3,124
Total Revenue		1,950,885
Expenses		
Administration		325,309
Collection department		323,482
Treatment department		556,086
Total Expenses		1,204,877
Operating Income Before Depreciation/Amortization		746,008
Less: Depreciation/Amortization		608,408
Operating Income (Loss)		137,600
Non-Operating Income (Expense)		
Interest expense		(181,848)
Interest income		17,863
Total Non-operating Income/(Expense)		(163,985)
Net Income (Loss)		(26,385)
Retained Earnings/Fund Balance		
Balance, beginning of year		9,161,899
Capitalized connection fees		196,924
Total Retained Earnings/Fund Balance	$	9,332,438

The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Statement of Cash Flows - Proprietary Funds
Year Ended April 30, 2014

		Sewerage Enterprise Fund
Cash Flows from Operating Activities		
Cash received from customers and users	$	1,980,941
Cash paid to suppliers		(794,707)
Cash and benefits paid for employees		(558,230)
Net Cash Provided by Operating Activities		628,004
Cash Flows from Investing Activities		
System additions		(1,127,952)
Net Cash Flows Provided by Investing Activities		(1,127,952)
Cash Flows from Capital and Financing Activities		
Bond discounts		11,110
Bond/note payments, net		(300,000)
Net Cash Flows Provided by Capital and Financing Activities		(288,890)
Net Increase (Decrease) in Cash		(788,838)
Connection Fees Capitalized		196,924
Cash at Beginning of Year		4,590,224
Cash at End of Year	$	3,998,310
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net income (loss) for the year	$	(26,385)
Depreciation		597,298
(Increase) decrease in accounts receivable		69,496
(Increase) decrease in deposits		(7,251)
(Increase) decrease in accrued interest		(1,442)
(Increase) decrease in interest deposits		2,251
Increase (decrease) in accounts payable		(15,616)
Increase (decrease) in accrued payroll		9,653
Net Cash Provided by Operating Activities	$	628,004

Cash payments for interest made during the year were $181,848.

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Northern Moraine Wastewater Reclamation District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District.

A. Reporting Entity

The District has developed criteria to determine whether outside agencies with activities that benefit the citizens of the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financial relationships.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is bothmeasurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the District.

The government reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Sewer O&M Fund is used to account for the treatment of sewerage of the District's citizens. User charges to customers account for substantially all of the revenue of this fund.

D. Cash

Many of the District's funds combine their cash in a common cash account included in the general fund where available cash is invested. No interest is earned from commingled checking in the general fund.

For purposes of cash and cash equivalent determination, Northern Moraine Wastewater Reclamation District considers all cash, investments, investments in Illinois Funds, and short-term Certificates to be cash equivalents.

E. Investments

Investment balances consist of savings account balances, certificates of deposit, investments in government securities, and shares in the Illinois Funds. Investment cost or amortized cost of investments approximate market value. The funds included in the Pool participate in the earnings of the Pool in proportion to their average balance therein. Should any of these funds have an average deficit in the Pool, they are charged interest accordingly.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Receivables and Revenue Recognition

Property taxes receivable are recognized at the time they are levied. Property taxes are levied and attached as an enforceable lien on property on January 1 and are payable in two installments on June 1 and September 1 subsequent to the year of levy. The tax levy for 2012 property taxes was adopted November 12, 2013. That portion of the property taxes which are not available for the current year's operations are shown as deferred revenue.

Income from investments, accounts, and unbilled usage receivables are recognized when earned. Licenses and permits, fines and forfeits, fees and refunds, charges for service (other than enterprise funds), miscellaneous and other revenues are recorded as revenue when received in cash, as they are generally not measurable until actually received.

G. Fund Balance Classifications (concluded)

Assigned - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Board or through the District Board delegating this responsibility to the District manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by the board to be used for debt service or in emergency situations.

The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE 2 – CASH AND INVESTMENTS

The District's investment policies are governed by state statutes whereby District money must be deposited in FDIC - insured banks located within the state. Permissible investments include demand accounts and certificates of deposits.

The District's pooled and nonpooled deposits are categorized to give an indication of the level of risk assumed by the District at April 30, 2014. The categories are described as follows:

Category 1	Insured or collateralized with securities held by the entity or by its agent in the entity's name.
Category 2	Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
Category 3	Uncollateralized.

	Category			Bank	Carrying
	1	2	3	Balance	Value
Pooled deposits					
Checking/Savings	$ 365,580	$ 679,843	$ -	$ 1,045,423	$ 1,045,014
U.S. Securities	3,125,697	-	-	3,125,697	3,125,697
Illinois Funds		-	-	58,246	58,246
Totals	$ 3,491,277	$ 679,843	$ -	$ 4,229,366	$ 4,228,957

NOTE 3 – PROPRIETARY FUND TYPE – PROPERTY AND EQUIPMENT

The property and equipment of the proprietary type fund consists of:

Capital Assets

Fixed Assets	Balance May 1, 2013	Increases	Decreases	Balance April 30, 2014
Sewerage Operations & Maintenance Fund				
Land	$ 1,076,505	$ -	$ -	$ 1,076,505
Construction in progress	233,246	465,548	233,246	465,548
Building & improvements	2,432,679	53,365	-	2,486,044
System infrastructure	13,229,706	828,808	-	14,058,514
Furniture & equipment	1,038,388	13,478	-	1,051,866
Total Fixed Assets	18,010,524	1,361,199	233,246	19,138,477
Less: Accumulated Depreciation	7,694,451	597,298	-	8,291,749
Fixed Assets (Net)	$ 10,316,073	$ 763,901	$ 233,246	$ 10,846,728

The aggregate depreciation charged to operations is $597,298. The depreciation policies of the District are described in Note (1).

NOTE 4 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 5 – EXPENDITURES OVER APPROPRIATIONS

No fund had expenditures that exceeded the appropriations

NOTE 6 – SEWERAGE – GENERAL OBLIGATION (ALTERNATE REVENUE BONDS)

The Sewerage Alternate Revenue Bonds dated November 1, 2010 were issued during November 2010 for the expansion of the treatment facilities. The bonds are collateralized by the net revenue of the Northern Moraine Wastewater Reclamation District and will be paid each year beginning May 1, 2014, until retired. The bonds carry interest rates ranging from 1.50% to 3.80% with interest payments on November 1 and May 1 of each year until the bonds are retired. The bond ordinance requires the establishment and maintenance of both a Depreciation Account and an Alternate Bond and Interest Account.

Series Dated November 1, 2010

Final payment date	May 1, 2029
Final tax levy year	2028
Paying agent	Amalgamated Bank of Chicago, Chicago, IL

Principal and interest payments due in year ended April 30:

Schedule of Debt Service Activity

Long-Term Debt	Balance 5/1/2013	Increases	Decreases	Balance 4/30/2014	Current Portion
Bonds Dated November 1, 2010	$ 6,300,000	$ -	$ 300,000	$ 6,000,000	$ 305,000
Total Long Term Debt	$ 6,300,000	$ -	$ 300,000	$ 6,000,000	$ 305,000

Long Term Debt Maturity Schedule

Fiscal Year Ended Due	Bonds Dated November 1, 2010 Outstanding April 30, 2014 Principal	Interest
4/30/2015	$ 305,000	$ 181,333
4/30/2016	310,000	176,758
4/30/2017	320,000	170,558
4/30/2018	325,000	163,038
4/30/2019	335,000	154,913
April 30, 2020--24	1,810,000	629,392
April 30, 2025--29	2,595,000	339,628
Total Debt	$ 6,000,000	$ 1,815,620

NOTE 7 – CONTINGENCIES

The District is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 2, 2014, the date on which the financial statements were available to be issued.

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

As of these financial statements, the Township has adopted GASB Statement No. 65, which redefined how certain financial statement elements are presented in the statement of financial position. The elements are classified as follows:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources ($738,055) reported in the governmental funds for unavailable revenues are all from property taxes to be received in the following year.

Required Supplementary Information

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

APRIL 30, 2014

The accounting policies of the District include the preparation of financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The District also prepares its budget on the modified cash basis of accounting.

Under the modified cash basis of accounting, revenues are recorded when received in cash and expenditures are recorded when the cash is disbursed. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Budgets are adopted at the function level in the General Fund and total General Fund expenditures disbursed may not legally exceed the budgeted amount. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

The District procedures in establishing the budgetary data reflected in the General Fund Financial Statements is presented below:

- Prior to July 15th the District Board receives a proposed operating budget (appropriation ordinance) for the fiscal year commencing on preceding May 1st. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at a public meeting to obtain taxpayers comments.
- The budget is legally enacted through passage of an ordinance prior to July 31st.
- The District Treasurer is authorized to expend the un-expensed balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
- The original budget was not amended during the fiscal year.
- Formal budgetary integration is not employed as a management control device during the year for any fund.
- Budgetary comparisons presented in the accompanying financial statements are prepared on the modified cash basis of accounting, which is comprehensive basis of accounting other than generally accepted accounting principles. All funds utilize the same basis of accounting for both budgetary purposes and actual results.
- Expenditures cannot legally exceed appropriations at the fund level.
- All appropriations lapse at year-end.

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Comparison of Revenues and Expenditures with Appropriations - General Fund

Year Ended April 30, 2014

	Appropriations		Actual
	Original	Final	Amounts
Revenue			
Property taxes	$ 185,000	$ 185,000	$ 185,244
Replacement tax	1,500	1,500	1,550
Other income	2,000	2,000	5,021
Interest	100	100	52
Total Revenue	188,600	188,600	191,867
Personnel Services			
Salaries and payroll taxes	14,760	14,760	13,400
Contractual Services			
Maintenance equipment	1,230	1,230	612
Bank charges	76	76	2,923
General insurance/bonding	97,847	97,847	79,757
Telephone	20,500	20,500	21,470
Travel/rentals	410	410	251
Training/seminars	2,050	2,050	2,071
Software support	8,713	8,713	12,082
Printing/publishing	3,075	3,075	3,020
Legal services	15,375	15,375	11,124
Total Contractual Services	149,276	149,276	133,310
Commodities			
Dues	3,075	3,075	3,176
Website expenses	1,538	1,538	780
Office supplies	9,225	9,225	6,887
Miscellaneous	103	103	-
Office equipment	3,946	3,946	11,503
Total Commodities	17,887	17,887	22,346
Total General Fund	181,923	181,923	169,056
Excess of Revenue over Expenditures	$ 6,677	$ 6,677	22,811
Fund Balance			
Balance, beginning of year			198,685
Total Fund Balance			$ 221,496

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Comparison of Revenues and Expenditures with Appropriations - Audit Fund

Year Ended April 30, 2014

	Appropriations		
	Original	Final	Actual Amounts
Revenue			
Property taxes	$ 7,000	$ 7,000	$ 7,031
Interest	15	15	-
Total Revenue	7,015	7,015	7,031
Expenditures			
Audit fees	6,458	6,458	6,350
Excess of Revenue Over Expenditures	$ 557	$ 557	681
Fund Balance			
Balance, beginning of year			7,208
Total Fund Balance			$ 7,889

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Combining Balance Sheet -- Proprietary Fund Types

Year Ended April 30, 2014

Assets	Total	Operating and Maintenance	Capital Improvement Replacement	Construction	Bond Reserve Account Depreciation	Alternate Bond and Interest	Plant Expansion
Cash	$ 872,613	$ 505,615	$ 254,717	$ -	$ -	$ -	$ 112,281
Investments	3,125,697	-	-	-	1,000	-	3,124,697
Total Cash & Investments	3,998,310	505,615	254,717	-	1,000	-	3,236,978
Sewer billings receivable, net	260,056	260,056	-	-	-	-	-
Interest receivable	3,992	-	-	-	-	-	3,992
Deposit with paying agent	395,666	-	-	-	-	395,666	-
Fixed assets (net of accumulated depreciation)	10,846,728	10,456,411	-	390,317	-	-	-
Total Assets	$ 15,504,752	$ 11,222,082	$ 254,717	$ 390,317	$ 1,000	$ 395,666	$ 3,240,970
Liabilities							
Accounts payable/accruals	$ 184,542	$ 184,542	$ -	$ -	$ -	$ -	$ -
Accrued payroll and compensation	52,650	52,650	-	-	-	-	-
Accrued interest payable	90,666	-	-	-	-	90,666	-
Revenue bonds payable-current portion	305,000	-	-	-	-	305,000	-
Revenue bonds payable	5,695,000	5,695,000	-	-	-	-	-
Revenue bonds--discount	(155,544)	(155,544)	-	-	-	-	-
Total Liabilities	6,172,314	5,776,648	-	-	-	395,666	-
District Equity							
Reserve for authorized expenditures	3,887,004	-	254,717	390,317	1,000	-	3,240,970
Contributed capital	8,858,752	8,858,752	-	-	-	-	-
Retained earnings (deficit)	(3,413,318)	(3,413,318)	-	-	-	-	-
Total District Equity	9,332,438	5,445,434	254,717	390,317	1,000	-	3,240,970
Total Liabilities and District Equity	$ 15,504,752	$ 11,222,082	$ 254,717	$ 390,317	$ 1,000	$ 395,666	$ 3,240,970

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Changes in Sanitary District Equity - Sewer O&M Fund

Year Ended April 30, 2014

	Total	Operating and Maintenance	Capital Improvement/ Replacement	Construction	Bond Ordinance Reserve Account Depreciation	Alternate Bond and Interest	Plant Expansion
Balances, Beginning of Year	$ 9,161,899	$ 5,392,139	$ 136,562	$ -	$ 1,000	$ -	$ 3,632,198
Add (Deduct):							
Net income (loss) for the year	(26,385)	138,097	1	-	-	(181,848)	17,365
Connections fees capitalized	196,924	196,924	-	-	-	-	-
Transfers in/(out)	-	(281,726)	118,154	390,317	-	181,848	(408,593)
Total District Equity	$ 9,332,438	$ 5,445,434	$ 254,717	$ 390,317	$ 1,000	$ -	$ 3,240,970

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Comparison of Revenues and Expenditures with Appropriations - Sewer O&M Fund
Year Ended April 30, 2014

	Budget		
	Original	Final	Actual Amounts
Personnel Services			
Salaries	$ 467,581	$ 467,581	$ 465,794
Social security	34,866	34,866	34,378
Employee insurance	68,505	68,505	58,058
Total Personnel Services	570,952	570,952	558,230
Contractual Services			
Maintenance--buildings	13,530	13,530	15,878
Maintenance--vehicles	6,663	6,663	9,430
Maintenance--equipment	40,231	40,231	9,444
Maintenance--utility system	53,813	53,813	38,968
Bank charges	8,200	8,200	9,406
Travel	1,025	1,025	582
Telephone	2,911	2,911	2,971
Utilities	145,899	145,899	137,703
Rental	769	769	145
Refunds	1,538	1,538	-
Sludge removal	20,500	20,500	19,404
Training/Seminars	18,348	18,348	14,282
Dues and memberships	2,563	2,563	1,000
Postage	25,569	25,569	13,726
Printing and publishing	1,538	1,538	1,468
Permit fees	19,219	19,219	18,000
Professional lab services	6,150	6,150	3,873
Engineering services	61,500	61,500	20,701
Other professional services	85,198	85,198	11,789
Julie locates	3,280	3,280	2,883
Security system	6,335	6,335	9,496
Total Contractual Services	524,779	524,779	341,149
Commodities			
Gasoline/oil	13,325	13,325	10,832
Maintenance supplies	12,300	12,300	5,693
Office supplies	1,025	1,025	1,417
Operating supplies	21,525	21,525	14,059
Chemical expenses	46,125	46,125	35,865
Lab supplies	7,688	7,688	5,625
Vehicle supplies	718	718	56
Uniforms	871	871	580
Small tools	769	769	493
Safety equipment	10,250	10,250	4,708
Miscellaneous equipment	41,000	41,000	225,658
Total Commodities	155,596	155,596	304,986
Miscellaneous	713	713	512
Total Expenditures	$ 1,252,040	$ 1,252,040	$ 1,204,877

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Property Tax Extension Rates

Tax Levy Year	2013	2012	2011
Assessed Valuation			
Lake County	$ 108,160,639	$ 119,551,976	$ 136,557,910
McHenry County	132,456,862	147,207,323	177,268,870
Totals	$ 240,617,501	$ 266,759,299	$ 313,826,780

Tax Rates and Percentages -- Allocated by Fund

Lake County	Rate	Percentage	Rate	Percentage	Rate	Percentage
General Fund	0.035000	44.30%	0.030000	41.10%	0.031000	43.06%
Audit Fund	0.003000	3.80%	0.003000	4.11%	0.003000	4.17%
Tort Immunity Fund	0.041000	51.90%	0.040000	54.79%	0.038000	52.77%
Totals	0.079000	100.00%	0.073000	100.00%	0.072000	100.00%
McHenry County						
General Fund	0.034942	44.63%	0.029894	41.85%	0.030903	43.39%
Audit Fund	0.002684	3.43%	0.002344	3.28%	0.001977	2.77%
Tort Immunity Fund	0.040665	51.94%	0.039193	54.87%	0.038380	53.84%
Totals	0.078291	100.00%	0.071431	100.00%	0.071260	100.00%

NORTHERN MORAINE WASTEWATER RECLAMATION DISTRICT

Property Tax Extensions

	Property Taxes Extended								
Levy Year	**2013**			**2012**			**2011**		
County	**Lake**	**McHenry**	**Total**	**Lake**	**McHenry**	**Total**	**Lake**	**McHenry**	**Total**
Funds:									
General	$ 37,856	$ 46,283	$ 84,139	$ 35,866	$ 44,006	$ 79,872	$ 42,333	$ 54,835	$ 97,168
Audit	3,245	3,555	6,800	3,586	3,451	7,037	4,097	3,505	7,601
Tort Immunity	44,346	53,864	98,210	47,821	57,695	105,516	51,892	68,036	119,928
Total Funds	$ 85,447	$ 103,702	$ 189,149	$ 87,273	$ 105,152	$ 192,425	$ 98,322	$ 126,375	$ 224,697