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Northern Moraine Wastewater Reclamation District, Illinois

Annual Financial Report
For the Year Ended April 30, 2016

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Required Supplementary Information: Management's Discussion and Analysis - Unaudited	3-12
Financial Statements:	
Government-wide – Statement of Net Position	13
Government-wide – Statement of Activities and Changes in Net Position	14
Governmental Fund – Balance Sheet	15
Governmental Fund – Statement of Revenues, Expenditures and Changes in Fund Balance	16
Governmental Fund – Reconciliation of the Governmental Fund Balance to Net Position	17
Proprietary Fund – Statement of Net Position	18
Proprietary Fund – Statement of Revenues, Expenses, and Changes in Net Position	19
Proprietary Fund – Statement of Cashflows	20
Notes to Financial Statements	21-28
Required Supplementary Information:	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	29
Audit Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	30
Notes to Required Supplementary Information	31-32

Other Supplementary Information:

Proprietary Fund Types – Statement of Net Position	33
Proprietary Fund Types - Changes in Net Position	34
Proprietary Fund Types – Schedule of Expenditures -Budget and Actual	35-36
Assessed Valuations, Extended Tax Rates, Percentage Allocation and Amounts by Funds	37-38



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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, 2016, 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, 2016, 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.

Other Matters

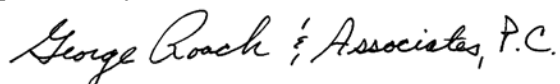
Required Supplementary Information

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.

Other Information

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.
Crystal Lake, Illinois
July 27, 2016

REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS –
UNAUDITED

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities and deferred inflows at April 30, 2016 by \$10,604,902 (net position).
- The District's total net position increased by \$660,082.
- At April 30, 2016, the District's governmental funds reported combined ending fund balances of \$325,047, an increase of \$33,667 in comparison with the prior year.
- At April 30, 2016, the fund balance for the General Fund was \$317,011.

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

NORTHERN MORAINES WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

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 and deferred inflows by \$10,604,902 at April 30, 2016. 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.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Net Position		
	Government-wide Activities	
	4/30/2016	04/30/15
Current and Other Assets	\$ 5,534,682	\$ 5,027,732
Fixed Assets	10,736,945	10,891,960
Total Assets	\$ 16,271,627	\$ 15,919,692
Bonds Payable	\$ 5,385,000	\$ 5,695,000
Bond discounts	(133,324)	(144,434)
Other Liabilities	261,201	260,952
Total Liabilities	5,512,877	5,811,518
Deferred Inflows -- property taxes	153,848	163,354
Net Position:		
Net Investment in Capital Assets	9,122,913	5,196,960
Restricted	3,095,140	3,099,103
Unrestricted	(1,613,151)	1,648,757
Total Net Position	\$ 10,604,902	\$ 9,944,820

Government-wide activities increased the District's net position by \$660,082. The key elements of the increase are as follows:

Government-wide Activities		
	4/30/2016	4/30/2015
Revenues		
Proprietary activities	\$ 2,304,173	\$ 2,205,819
General Revenues		
Property Taxes	164,642	188,772
Replacement Taxes	1,532	1,512
Other	180,174	19,651
Interest	19,469	26,923
Total Revenues	2,669,990	2,442,677
Expenses		
General Government	133,321	129,085
Proprietary activities	1,775,235	1,947,040
Debt Service	171,033	178,035
Total Expenses	2,079,589	2,254,160
Increase/(Decrease) in Net Position	590,401	188,517
Net Position - Beginning of Year	9,944,820	9,561,823
Contributed Capital	69,681	194,480
Net Position - End of Year	\$ 10,604,902	\$ 9,944,820

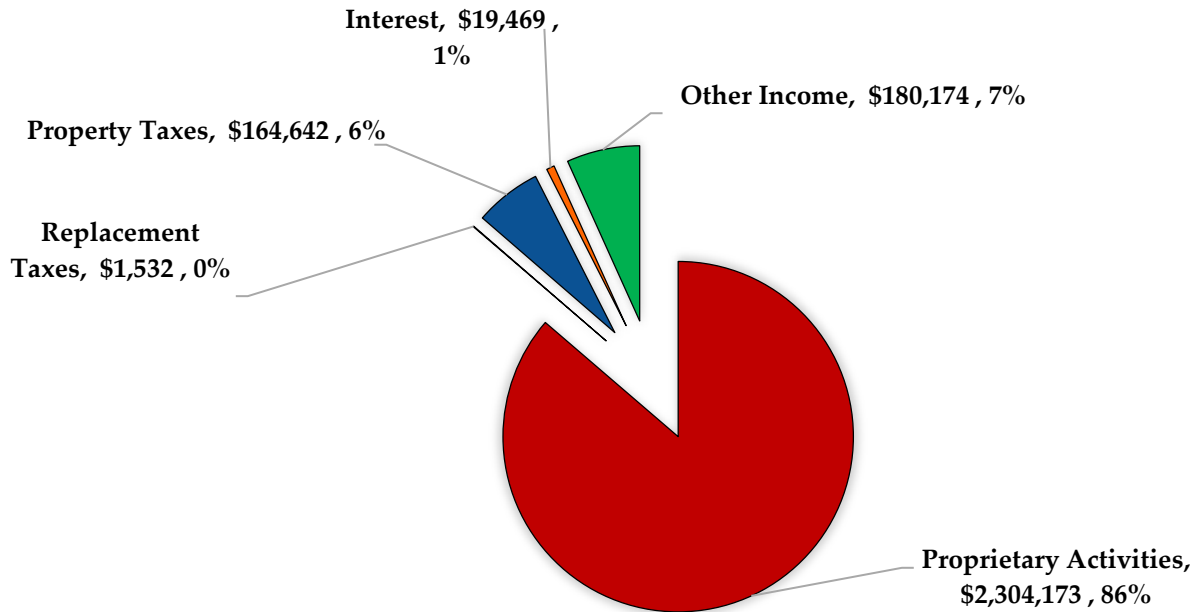
NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

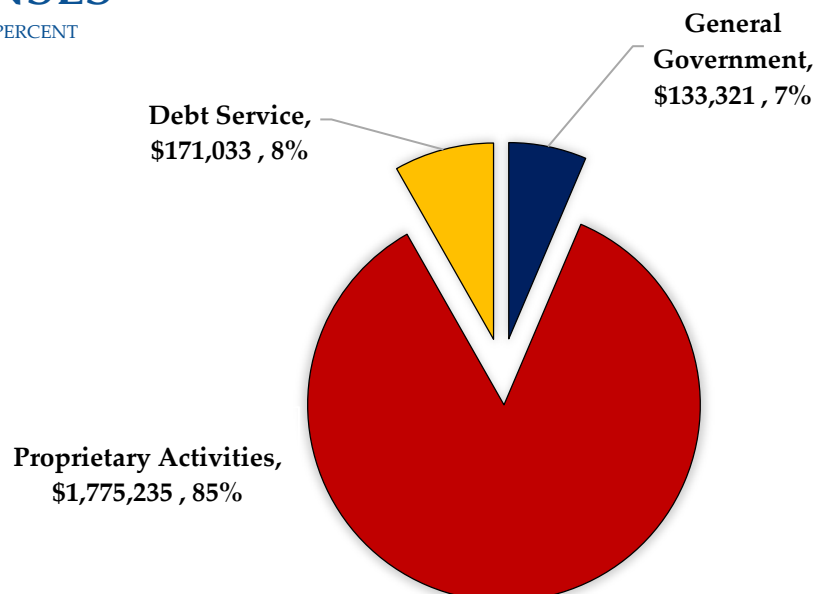
2016 REVENUES

ROUND TO NEAREST PERCENT



2016 EXPENSES

ROUND TO NEAREST PERCENT



NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

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, 2016, the District's governmental funds reported combined ending, fund balances of \$325,047, an increase of \$33,667 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, 2016 was \$317,011, which was an increase of \$33,796 during the year ended April 30, 2016.

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 property tax levy, interest on bank deposits, and associated expenditures.

The Audit Fund balance at April 30, 2016 was \$8,036, which was a decrease of \$129 during the year ended April 30, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not amend its budget and appropriations ordinance for the fiscal year ended April 30, 2016, therefore, the amounts shown as original and final appropriations are the same.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

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, 2016, the District's proprietary fund reported ending net position of \$10,279,855, an increase of \$626,415 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, 2016 amounts to \$10,736,945 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings, furniture and equipment, computer equipment, and vehicles. The total decrease in the District's investment in capital assets for the year ended April 30, 2016 was \$155,015, attributable to the purchase of various assets offset by depreciation and disposals.

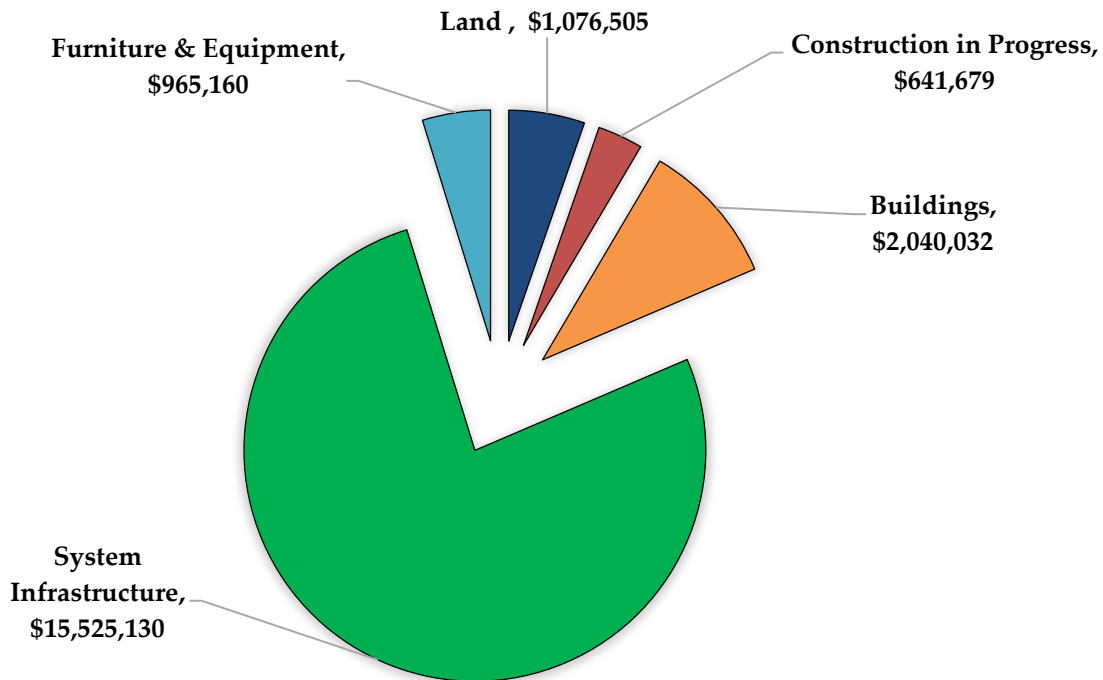
Capital Assets				
Fixed Assets	Balance May 1, 2015	Increases	Decreases	Balance April 30, 2016
Sewerage Operations & Maintenance Fund				
Land	\$ 1,076,505	\$ -	\$ -	\$ 1,076,505
Construction in progress	259,864	381,815	-	641,679
Building & improvements	2,034,947	5,085	-	2,040,032
System infrastructure	15,455,613	84,517	15,000	15,525,130
Furniture & equipment	995,013	39,565	69,418	965,160
Total Fixed Assets	19,821,942	510,982	84,418	20,248,506
Less: Accumulated Depreciation	8,929,982	665,997	84,418	9,511,561
Fixed Assets (Net)	\$ 10,891,960	\$ (155,015)	\$ -	10,736,945

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

CAPITAL ASSETS



Long-term debt

At April 30, 2016, the District had one bond issue outstanding consisting of current principal due of \$320,000 and long-term due of \$5,065,000. 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 2015-16 fiscal year:

- The equalized assessed valuation (EAV) for the District for 2015 is \$242,827,546. This represents an increase in EAV of \$11,985,618 in comparison with the prior year.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

Assessed Valuations and Extensions by Fund

Property Tax Rates (per \$100 of assessed valuation)								
2015			2014			2013		
Lake	McHenry	Total	Lake	McHenry	Total	Lake	McHenry	Total
\$ 106,918,151	\$ 135,909,395	\$ 242,827,546	\$ 102,431,335	\$ 230,841,928	\$ 333,273,263	\$ 108,160,639	\$ 240,617,501	\$ 348,778,140
\$ 23,857	\$ 30,326	\$ 54,183	\$ 32,236	\$ 40,412	\$ 72,648	\$ 37,856	\$ 46,283	\$ 84,139
3,047	3,872	6,919	2,957	3,706	6,663	3,245	3,555	6,800
41,521	52,779	94,300	38,025	47,669	85,694	44,346	53,864	98,210

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2016

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, Illinois 60042.

BASIC FINANCIAL STATEMENTS

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT

Statement of Net Position

Year Ended April 30, 2016

		Primary Government		
		Governmental	Business-Type	Total
		Activities	Activities	
Assets				
Cash		\$ 326,277	\$ 4,415,912	\$ 4,742,189
Accounts receivable		-	233,366	233,366
Property tax receivable		153,848	-	153,848
Deposit with paying agent		-	405,279	405,279
Fixed Assets		-	10,736,945	10,736,945
Total Assets		\$ 480,125	\$ 15,791,502	\$ 16,271,627
Current Liabilities				
Accounts payable		\$ 1,230	\$ 124,044	\$ 125,274
Accrued payroll		-	20,463	20,463
Accrued interest		-	85,279	85,279
Revenue Bonds		-	320,000	320,000
Total Current Liabilities		1,230	549,786	551,016
Noncurrent Liabilities				
Deferred compensation		-	30,185	30,185
Revenue bonds payable		-	5,065,000	5,065,000
Revenue bond discount		-	(133,324)	(133,324)
Total Noncurrent Liabilities		-	4,961,861	4,961,861
Total Liabilities		1,230	5,511,647	5,512,877
Deferred Inflow -- Property taxes		153,848	-	153,848
Net Position				
Net Investment in capital assets		-	9,122,913	9,122,913
Restricted		8,036	3,087,104	3,095,140
Unrestricted		317,011	(1,930,162)	(1,613,151)
Total Net Position		\$ 325,047	\$ 10,279,855	\$ 10,604,902

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

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT

Statement of Activities and Changes in Net Position

Year Ended April 30, 2016

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities							
General Government	\$ 133,321	\$ -	\$ -	\$ -	\$ 133,321	\$ -	\$ 133,321
Total Governmental Activities	133,321	-	-	-	133,321	-	133,321
Business-Type Activities							
Proprietary Activities	1,775,235	2,304,173	-	-	-	528,938	528,938
Interest and fees on Long-term debt	171,033	-	-	-	-	(171,033)	(171,033)
Total Business-Type Activities	1,946,268	2,304,173	-	-	-	357,905	357,905
Total Primary Government	\$ 2,079,589	\$ 2,304,173	\$ -	\$ -	133,321	357,905	491,226
General Revenues:							
Property Taxes					164,642	-	164,642
Replacement tax					1,532	-	1,532
Miscellaneous revenue					814	-	814
Market gains					-	179,360	179,360
Investment Income					-	19,469	19,469
Total Revenues					166,988	198,829	365,817
Change in Net Position					33,667	556,734	590,401
Net Position, Beginning					291,380	9,653,440	9,944,820
Capital Contributions					-	69,681	69,681
Total Net Position, Ending					\$ 325,047	\$ 10,279,855	\$ 10,604,902

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

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Balance Sheet - Governmental Funds**Year Ended April 30, 2016*

	General Fund	Audit Fund	Total
Assets			
Cash	\$ 318,241	\$ 8,036	\$ 326,277
Property tax receivable	146,998	6,850	153,848
Total Assets	<u>\$ 465,239</u>	<u>\$ 14,886</u>	<u>\$ 480,125</u>
Liabilities			
Accounts payable/accruals	\$ 1,230	\$ -	\$ 1,230
Total Liabilities	1,230	-	1,230
Deferred Inflows - Property taxes	<u>146,998</u>	<u>6,850</u>	<u>153,848</u>
Total Liabilities and Deferred Inflows	<u>148,228</u>	<u>6,850</u>	<u>155,078</u>
Fund Balance			
Nonspendable	-	-	-
Restricted	-	8,036	8,036
Committed	-	-	-
Assigned -- capital improvements	-	-	-
Unassigned	317,011	-	317,011
Total Fund Balance	<u>317,011</u>	<u>8,036</u>	<u>325,047</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 465,239</u>	<u>\$ 14,886</u>	<u>\$ 480,125</u>

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

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balance**Year Ended April 30, 2016*

Governmental Fund Types			
	General	Audit	Total
Revenues			
Property taxes	\$ 158,021	\$ 6,621	\$ 164,642
Replacement taxes	1,532	-	1,532
Other income	814	-	814
Total Revenue	160,367	6,621	166,988
Expenditures			
Personal services	12,800	-	12,800
Contractual services	109,136	6,750	115,886
Commodities	3,478	-	3,478
Other	1,157	-	1,157
Total Expenditures	126,571	6,750	133,321
Net Change in Fund Balance	33,796	(129)	33,667
Fund Balance			
Fund balance, Beginning	283,215	8,165	291,380
Total Fund Balance, Ending	\$ 317,011	\$ 8,036	\$ 325,047

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

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT

Reconciliation of the Governmental Fund Balance to Statement of Net Position

Year Ended April 30, 2016

Total Fund Balances--Total Governmental Funds	\$	291,380
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Balances for modified accrual and accrual are the same		-
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Net Position of Governmental Activities	\$	291,380
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The accompanying notes are an integral part of these financial statements.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Proprietary Fund - Statement of Net Position**Year Ended April 30, 2016*

Assets	
Cash	\$ 4,415,912
Sewer billings receivable, net	233,366
Deposit with paying agent	405,279
Fixed assets (net of accumulated depreciation)	10,736,945
Total Assets	\$ 15,791,502
Liabilities	
Accounts payable/accruals	\$ 124,044
Accrued payroll	20,463
Accrued interest payable	85,279
Revenue bonds payable-current portion	320,000
Revenue bonds payable-long term	5,065,000
Revenue bonds-long term discount	(133,324)
Deferred compensation-long term	30,185
Total Liabilities	5,511,647
Net Position	
Net investment in capital assets	9,122,913
Restricted for:	
Capital Improvements	3,087,104
Unrestricted	(1,930,162)
Total Net Position	10,279,855
Total Liabilities and Net Position	\$ 15,791,502

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

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Position**Year Ended April 30, 2016*

	Sewerage Enterprise Fund
Revenues	
Sewer charges	\$ 2,093,104
Penalties	85,890
Permit fees	2,400
Connection fees	107,779
Engineering reviews	15,000
Total Revenues	2,304,173
Expenses	
Personnel	620,642
Contractual service	390,983
Commodities	74,377
Other expenditures	12,126
Total Expenses	1,098,128
Operating Income Before Depreciation/Amortization	1,206,045
Less: Depreciation/Amortization	677,107
Operating Income (Loss)	528,938
Non-Operating Income (Expense)	
Interest expense and fees	(171,033)
Market gains	179,360
Interest income	19,469
Total Non-operating Income/(Expense)	27,796
Net Income (Loss)	556,734
Net Position	
Balance, beginning of year	9,653,440
Capitalized connection fees	69,681
Total Net Position	\$ 10,279,855

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

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Proprietary Fund - Statement of Cash Flows**Year Ended April 30, 2015*

	Sewerage Enterprise Fund
Cash Flows from Operating Activities	
Cash received from customers and users	\$ 2,293,248
Cash paid to suppliers	(495,601)
Cash and benefits paid for employees	(620,642)
Net Cash Provided by Operating Activities	1,177,005
Cash Flows from Investing Activities	
System additions	(510,982)
Net Cash Flows Provided by Investing Activities	(510,982)
Cash Flows from Capital and Financing Activities	
Interest income	19,469
Market gains	179,360
Bond discounts	11,110
Bond interest and fees	(171,033)
Bond/note payments, net	(310,000)
Net Cash Flows Provided by Capital and Financing Activities	(271,094)
Net Increase (Decrease) in Cash	394,929
Connection Fees Capitalized	69,681
Cash at Beginning of Year	3,951,302
Cash at End of Year	\$ 4,415,912
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss) for the year	\$ 528,938
Depreciation	665,997
(Increase) decrease in accounts receivable	(10,925)
(Increase) decrease in deposits	(6,900)
Increase (decrease) in deferred compensation	(1,279)
Increase (decrease) in accounts payable	446
Increase (decrease) in accrued payroll	3,828
Increase (decrease) in accrued interest	(3,100)
Net Cash Provided by Operating Activities	\$ 1,177,005

Cash payments for interest and made during the year were \$170,558.

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

NOTES TO THE BASIC
FINANCIAL STATEMENTS

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

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.

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.

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.

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 both measurable 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.

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 2015 property taxes was adopted November 10, 2015. 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.

FUND BALANCE CLASSIFICATIONS

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being Nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board. These amounts cannot be used for any other purpose unless the District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of April 30, 2016.

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.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

EQUITY CLASSIFICATIONS USED IN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net position is reported in this category.

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, 2016. 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 Balance	Carrying Value
	1	2	3		
Pooled deposits					
Checking/Savings	\$ 2,121,153	\$ 2,621,152	\$ -	\$ 4,742,305	\$4,742,189
Totals	<u>\$ 2,121,153</u>	<u>\$ 2,621,152</u>	<u>\$ -</u>	<u>\$ 4,742,305</u>	<u>\$4,742,189</u>

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 3 – PROPRIETARY FUND TYPE – PROPERTY AND EQUIPMENT

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

Proprietary Fund - Capital Assets				
	Balance			Balance
Fixed Assets	May 1, 2015	Increases	Decreases	April 30, 2016
Land	\$ 1,076,505	\$ -	\$ -	\$ 1,076,505
Construction in progress	259,864	381,815	-	641,679
Building & improvements	2,034,947	5,085	-	2,040,032
System infrastructure	15,455,613	84,517	15,000	15,525,130
Furniture & equipment	995,013	39,565	69,418	965,160
Total Fixed Assets	19,821,942	510,982	84,418	20,248,506
Less: Accumulated Depreciation	8,929,982	665,997	84,418	9,511,561
Fixed Assets (Net)	\$ 10,891,960	\$ (155,015)	\$ -	\$ 10,736,945

The aggregate depreciation charged to operations is \$665,997.

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, 2011, 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 on May 1, 2029. The bond ordinance requires the establishment and maintenance of both a Depreciation Account and an Alternate Bond and Interest Account. Debt service activity with principal and interest payments due in year ended April 30 are as follows:

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

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

Schedule of Debt Service Activity

	Balance			Balance	Current
Long-Term Debt	5/1/2015	Increases	Decreases	4/30/2016	Portion
Bonds Dated November 1, 2010	\$ 5,695,000	\$ -	\$ 310,000	\$ 5,385,000	\$ 320,000
Total Long Term Debt	\$ 5,695,000	\$ -	\$ 310,000	\$ 5,385,000	\$ 320,000

Long Term Debt Maturity Schedule

Fiscal Year Ended Due	Bonds Dated November 1, 2010	
	Outstanding April 30, 2016	
	Principal	Interest
4/30/2017	\$ 320,000	\$ 170,558
4/30/2018	325,000	163,038
4/30/2019	335,000	154,913
4/30/2020	340,000	146,538
4/30/2021	350,000	136,848
4/30/2022	360,000	126,348
4/30/2023	375,000	115,548
4/30/2024	385,000	104,110
4/30/2025	395,000	91,983
4/30/2026	410,000	79,145
4/30/2027	425,000	65,410
4/30/2028	440,000	50,535
4/30/2029	455,000	34,695
4/30/2030	470,000	17,860
Total Debt	\$ 5,385,000	\$ 1,457,529

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 27, 2016, the date on which the financial statements were available to be issued.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended April 30, 2016

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

As of these financial statements, the District 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 District 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 District 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 (\$153,848) reported in the governmental funds for unavailable revenues are all from property taxes to be received in the following year.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT

General Fund - Schedule of Revenues, Expenditures Changes in Fund Balance

- Budget and Actual

Year Ended April 30, 2016

	Budget		Actual
	Original	Final	Amounts
Revenues			
Property taxes	\$ 158,389	\$ 158,389	\$ 158,021
Replacement tax	1,000	1,000	1,532
Other income	100	100	814
Total Revenues	159,489	159,489	160,367
Personnel Services			
Salaries and payroll taxes	14,145	14,145	12,800
Contractual Services			
Maintenance equipment	1,538	1,538	475
Bank charges	103	103	-
General insurance/bonding	94,300	94,300	87,654
Telephone	3,792	3,792	2,446
Rental	102	102	-
Training/seminars	2,050	2,050	149
Travel/rentals	871	871	496
Software support	11,834	11,834	14,885
Printing/publishing	1,281	1,281	1,325
Legal services	10,250	10,250	1,706
Total Contractual Services	126,121	126,121	109,136
Commodities			
Dues	3,075	3,075	1,975
Website expenses	513	513	-
Office supplies	2,306	2,306	1,415
Miscellaneous	272	272	88
Total Commodities	6,166	6,166	3,478
Other Expense			
Office Equipment over \$500	2,050	2,050	1,157
Total Commodities	8,488	8,488	1,157
Total General Fund	148,482	148,482	126,571
Net Change in Fund Balance	\$ 11,007	\$ 11,007	33,796
Fund Balance			
Fund balance, Beginning			283,215
Total Fund Balance, Ending			\$ 317,011

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Audit Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance**- Budget and Actual**Year Ended April 30, 2016*

	Budget		Actual
	Original	Final	Amounts
Revenues			
Property taxes	\$ 6,750	\$ 6,750	\$ 6,621
Total Revenues	<u>6,750</u>	<u>6,750</u>	<u>6,621</u>
Expenditures			
Audit fees	<u>6,919</u>	<u>6,919</u>	<u>6,750</u>
Net Change in Fund Balance	<u>\$ (169)</u>	<u>\$ (169)</u>	(129)
Fund Balance			
Fund balance, Beginning			<u>8,165</u>
Total Fund Balance, Ending			<u>\$ 8,036</u>

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT

Proprietary Fund Types - Statement of Net Position

Year Ended April 30, 2016

Assets	Operating and Maintenance	Capital Improvement Replacement	Construction	Reserve Account Depreciation	Bond Alternate Bond and Interest	Plant Expansion	Total
Cash	\$ 1,328,808	\$ 304,974	\$ -	\$ 1,000	\$ -	\$ 2,781,130	\$ 4,415,912
Total Cash & Investments	1,328,808	304,974	-	1,000	-	2,781,130	4,415,912
Sewer billings receivable, net	233,366	-	-	-	-	-	233,366
Construction in progress	641,679	-	-	-	-	-	641,679
Deposit with paying agent	-	-	-	-	405,279	-	405,279
Fixed assets (net of accumulated depreciation)	10,095,266	-	-	-	-	-	10,095,266
Total Assets	\$ 12,299,119	\$ 304,974	\$ -	\$ 1,000	\$ 405,279	\$ 2,781,130	\$ 15,791,502
Liabilities							
Accounts payable/accruals	\$ 124,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,044
Accrued payroll	20,463	-	-	-	-	-	20,463
Accrued interest payable	-	-	-	-	85,279	-	85,279
Revenue bonds payable-current portion	-	-	-	-	320,000	-	320,000
Revenue bonds payable--long term	5,065,000	-	-	-	-	-	5,065,000
Revenue bonds--long term discount	(133,324)	-	-	-	-	-	(133,324)
Deferred compensation--long term	30,185	-	-	-	-	-	30,185
Total Liabilities	5,106,368	-	-	-	405,279	-	5,511,647
Net Position							
Reserve for authorized expenditures	-	304,974	-	1,000	-	2,781,130	3,087,104
Contributed capital	9,122,913	-	-	-	-	-	9,122,913
Unrestricted	(1,930,162)	-	-	-	-	-	(1,930,162)
Total Net Position	7,192,751	304,974	-	1,000	-	2,781,130	10,279,855
Total Liabilities and Net Position	\$ 12,299,119	\$ 304,974	\$ -	\$ 1,000	\$ 405,279	\$ 2,781,130	\$ 15,791,502

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT

Proprietary Fund Types - Changes in Net Position

Year Ended April 30, 2016

	Operating and Maintenance	Capital Improvement/ Replacement	Construction	Bond Ordinance Reserve Account Depreciation	Alternate Bond and Interest	Plant Expansion	Total
Net Position, Beginning	\$ 6,554,337	\$ 344,485	\$ -	\$ 1,000	\$ -	\$ 2,753,618	\$ 9,653,440
Add (Deduct):							
Net income (loss) for the year	422,157	107,779	-	-	(171,033)	197,831	556,734
Connections fees capitalized	69,681	-	-	-	-	-	69,681
Transfers in/(out)	146,576	(147,290)	-	-	171,033	(170,319)	-
Total Net Position, Ending	\$ 7,192,751	\$ 304,974	\$ -	\$ 1,000	\$ -	\$ 2,781,130	\$ 10,279,855

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT

Proprietary Fund Types - Schedule of Expenditures

- Budget and Actual

Year Ended April 30, 2016

	Budget		Actual
	Original	Final	Amounts
Personnel Services			
Salaries	\$ 588,310	\$ 588,310	\$ 495,752
Social security	43,920	43,920	36,239
Employee insurance	104,140	104,140	88,651
Total Personnel Services	736,370	736,370	620,642
Contractual Services			
Maintenance--buildings	15,375	15,375	15,955
Maintenance--vehicles	14,225	14,225	10,630
Maintenance--equipment	52,890	52,890	17,292
Maintenance--utility system	64,575	64,575	38,827
Bank charges	8,713	8,713	10,194
Travel	1,025	1,025	1,335
Telephone	18,614	18,614	18,493
Utilities	185,607	185,607	137,160
Rental	1,230	1,230	206
Publications and subscriptions	615	615	499
Refunds	256	256	5
Sludge removal	25,625	25,625	22,479
Training/Seminars	18,040	18,040	9,502
Dues and memberships	2,050	2,050	1,519
Postage	26,906	26,906	26,141
Printing and publishing	6,150	6,150	6,596
Permit fees	18,450	18,450	18,000
Legal services	7,790	7,790	6,879
Professional lab services	8,713	8,713	8,499
Engineering services	8,713	8,713	306
Other professional services	46,228	46,228	28,042
Julie locates	3,587	3,587	2,533
Security system	11,275	11,275	9,891
Total Contractual Services	546,652	546,652	390,983
Commodities			
Gasoline/oil	12,300	12,300	5,654
Maintenance supplies	14,350	14,350	2,847
Office supplies	2,050	2,050	2,170

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT*Proprietary Fund Types - Schedule of Expenditures**- Budget and Actual**Year Ended April 30, 2016*

	Budget		Actual Amounts
	Original	Final	
Commodities (Continued)			
Operating supplies	21,525	21,525	7,349
Chemical expenses	46,125	46,125	39,274
Lab supplies	7,687	7,687	11,427
Vehicle supplies	1,025	1,025	262
Uniforms	820	820	509
Small tools	769	769	251
Safety equipment	9,225	9,225	3,335
Miscellaneous equipment	6,662	6,662	1,299
Total Commodities	122,538	122,538	74,377
Other Expenses			
Office equipment	3,075	3,075	4,592
Building improvements	11,788	11,788	7,425
Capitalized treatment upgrade	565,270	565,270	-
Depreciation Expense	-	-	665,997
Amortization Expense	-	-	11,110
Miscellaneous	615	615	109
Total Other Expenses	580,748	580,748	689,233
Debt Service/Alternate Bond Fund Expenses			
Bond principal	328,000	328,000	-
Interest expense	174,822	174,822	170,558
Miscellaneous Expense	528	528	475
Total Debt Service	503,350	503,350	171,033
Total Expenditures	\$ 1,986,308	\$ 1,986,308	\$ 1,946,268

OTHER SUPPLEMENTARY INFORMATION

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Required Supplemental Information

Year ended April 30, 2016

The accounting policies of the District include the preparation of financial statements on the modified accrual basis of accounting. The District also prepares its budget on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable 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. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However; expenditures relating to compensated absences, debt service expenditures, and claims and judgments are recognized only when payment is due.

Appropriation ordinances 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 appropriation data reflected in the General Fund Financial Statements are presented below:

- Prior to July 15th the District Board receives a proposed appropriation ordinance for the fiscal year commencing on May 1st. The appropriation ordinance includes proposed expenditures and the means of financing them.
- A public hearing is conducted at a public meeting to obtain taxpayers comments.
- The appropriation ordinance is legally enacted through passage of an ordinance prior to July 31st.
- The District Treasurer, in conjunction with the Board, 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 appropriation ordinance was not amended during the fiscal year.
- Formal budgetary integration is not employed as a management control device during the year for any fund.

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to Required Supplemental Information

Year ended April 30, 2016

- Appropriation comparisons presented in the accompanying financial statements are prepared on the modified accrual and accrual basis of accounting. Governmental funds utilize the modified accrual basis of accounting, and the business type funds use the accrual basis of accounting for both appropriation purposes and actual results.
- Expenditures cannot legally exceed appropriations at the fund level.
- All appropriations lapse at year-end.

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT

Property Tax Extension Rates

Year Ended April 30, 2016

Tax Levy Year	2015	2014	2013
Assessed Valuation			
Lake County	\$ 106,918,151	\$ 102,431,335	\$ 108,160,639
McHenry County	135,909,395	128,410,593	132,456,862
Totals	\$ 242,827,546	\$ 230,841,928	\$ 240,617,501

Tax Rates and Percentages -- Allocated by Fund

Lake County	Rate	Percentage	Rate	Percentage
General Fund	0.022313	34.87%	0.031471	44.03%
Audit Fund	0.002850	4.45%	0.002887	4.04%
Tort Immunity Fund	0.038835	60.68%	0.037122	51.93%
Totals	0.063998	100.00%	0.071480	100.00%

McHenry County	Rate	Percentage	Rate	Percentage
General Fund	0.022313	34.87%	0.031471	44.03%
Audit Fund	0.002849	4.45%	0.002886	4.04%
Tort Immunity Fund	0.038834	60.68%	0.037122	51.93%
Totals	0.063996	100.00%	0.071479	100.00%

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT

Property Tax Extensions

Year Ended April 30, 2016

Levy Year County	2015		2014		2013	
	Lake	McHenry	Total	Lake	McHenry	Total
Funds:						
General	\$ 23,857	\$ 30,326	\$ 54,183	\$ 32,236	\$ 40,412	\$ 72,648
Audit	3,047	3,872	6,919	2,957	3,706	6,663
Tort Immunity	41,521	52,779	94,300	38,025	47,669	85,694
Total Funds	\$ 68,425	\$ 86,977	\$ 155,402	\$ 73,218	\$ 91,787	\$ 165,005
				\$ 85,447	\$ 103,702	\$ 189,149



Accounting • Auditing • Consulting

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Crystal Lake, IL 60014
T: 815-459-0700
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July 27, 2016

To the Board of Trustees
Northern Moraine Wastewater Reclamation District
Island Lake, Illinois

In planning and performing our audit of the financial statements of Northern Moraine Wastewater Reclamation District, Illinois (the District) as of and for the year ended April 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the District's internal control to be material weaknesses: None noted.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Preparation of Financial Statements

Management is responsible for the fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles. Preparing full financial statements includes drafting the individual fund statements, the government-wide statements, and footnote disclosures. As is the case with most small to medium size organizations, management relies on the auditor to prepare the

full financial statements. Current standards require that we provide this information to the Board in writing each year to ensure that the Board is aware of the relationship with the audit firm.

Financial Statement Adjustments

Management is responsible for the accuracy and completeness of all financial records. This includes having controls over the financial reporting process which serve to prevent and detect errors in financial reporting that ensure that the financial statements are free of material misstatements. As is the case with most small to medium size organizations, management relies on the auditor to prepare year-end adjustments. Current standards require that we provide this information to the Board in writing each year to ensure that the Board is aware of the relationship with the audit firm.

Segregation of Duties

A critical element of internal control is that incompatible procedures in a control process be properly segregated. This is accomplished when no one person handles all segments of a transaction from beginning to end. While this is the principle, in reality, the personnel constraints of many organizations do not always allow for ideal segregation of duties. However, it is our responsibility as auditors to communicate this material weakness. During the course of our audit, it was noted that certain processes and procedures did not have adequate segregation of duties over the areas listed below. Management and the Board should determine if the benefits achieved by resolving these internal control deficiencies warrants the additional cost that would be required to remedy the current condition.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "George Roach". The signature is written in a cursive, flowing style.

George Roach & Associates, P.C.
Crystal Lake, Illinois
July 27, 2016



Accounting • Auditing • Consulting

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To the Board of Trustees
Northern Moraine Wastewater Reclamation District
Island Lake, Illinois

We have audited the financial statements of Northern Moraine Wastewater Reclamation District, Illinois for the year ended April 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Northern Moraine Water Reclamation District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation is based on their best approximation of the various assets useful lives and the straight line method of depreciation. We evaluated the key factors and assumptions used to develop these estimates and have determined they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Cash and Investments in Note 2 to the financial statements is significant because of the large dollar amounts involved.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has agreed to correct all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 6, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the required supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This communication is intended solely for the information and use of the board of Trustees of Northern Moraine Water Reclamation District, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "George Roach". The signature is written in black ink and is positioned above the printed name and date.

George Roach & Associates, P.C.
July 27, 2016



July 27, 2016

George Roach and Associates, P.C.

Crystal Lake, Illinois

This representation letter is provided in connection with your audit of the financial statements of Northern Moraine Water Reclamation District (the District), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 27, 2016, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.



- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Northern Moraine Water Reclamation District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.



Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.



- 32) All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the RSI as described in the Table of Contents:
 - a) We acknowledge our responsibility for presenting the RSI in accordance with accounting principles generally accepted in the United States of America, and we believe the RSI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the RSI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.



45) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: _____

A handwritten signature in dark ink, appearing to be "D. Sorensen", written over a horizontal line.

Title: _____

D. Sorensen Manager

Signature: _____

A handwritten signature in dark ink, "Maria S. Fernandez", written over a horizontal line.

Title: _____

District Clerk