

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
APRIL 30, 2023

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NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenue, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer Contributions Illinois Municipal Retirement Fund	32
Schedule of Changes in the Employer's Net Pension Liability Illinois Municipal Retirement Fund	33
OTHER SUPPLEMENTARY INFORMATION	
Statement of Net Position – Sewerage Subfunds	36
Statement of Changes in Net Position – Sewerage Subfunds	37
Schedule of Operating Expenses and Nonoperating Expenses – Budget and Actual	38
Consolidated Year-End Financial Report	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
SUPPLEMENTAL SCHEDULES	
Schedule of Assessed Valuations, Extended Tax Rates, Percentage Allocation and Amounts by Fund – Last Three Tax Levy Years	44
Schedule of Property Tax Extensions – Last Three Tax Levy Years	45
Schedule of Miscellaneous Statistics	46

FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Other Supplementary Information
- Supplemental Schedules

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the District's independent auditing firm.



INDEPENDENT AUDITOR'S REPORT

September 7, 2023

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

Opinions

We have audited the accompanying financial statements of the business-type activities of the Northern Moraine Wastewater Reclamation District (the District), Illinois, as of and for the year ended April 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Northern Moraine Wastewater Reclamation District, Illinois, as of April 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and required pension, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Moraine Wastewater Reclamation District, Illinois' basic financial statements. The other supplementary information and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Management's Discussion and Analysis April 30, 2023

Our discussion and analysis of the Northern Moraine Wastewater Reclamation District's financial performance provides an overview of the District's financial activities for the fiscal year ended April 30, 2023.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$4,012,670 as a result of this year's operations.
- During the year, revenues totaled \$7,176,699, while expenses totaled \$3,164,029, resulting in an increase to net position of \$4,012,670.
- The District's net position totaled \$45,789,277 on April 30, 2023, which includes \$42,223,038 net investment in capital assets, \$4,967,336 subject to external restrictions, and (\$1,401,097) unrestricted net position that may be used to meet the ongoing obligations to citizens and creditors.

BASIC FINANCIAL STATEMENTS

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is reported under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information, certain supplemental data, and other information that is useful in understanding the overall operations of the District.

The statement of net position presents information on the assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the four 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 revenues, expenses, and changes in net position reports the operating revenues and expenses and non-operating revenue and expenses of the District for the fiscal year with the difference - the net income or loss - being combined with any capital contributions to determine the net change in position for the fiscal year. That change combined with last year-end net position total reconciles to the net position total at the end of this fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year. Contrary to the other basic financial statements, this statement is prepared on a cash basis.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Management's Discussion and Analysis April 30, 2023

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's IMRF employee pension obligation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the District, assets/deferred outflows exceeded liabilities/deferred inflows by \$45,789,277.

	Business-type Activities	
	2022	2023
Current and Other Assets	\$ 3,387,442	4,155,596
Capital Assets	42,432,709	49,309,912
Total Assets	45,820,151	53,465,508
Deferred Outflows	293,363	329,998
Total Assets/Deferred Outflows	46,113,514	53,795,506
Long-Term Debt	3,210,306	7,015,516
Other Liabilities	596,644	968,938
Total Liabilities	3,806,950	7,984,454
Deferred Inflows	143,521	21,775
Total Liabilities/Deferred Inflows	3,950,471	8,006,229
Net Postion		
Net Investment in Capital Assets	39,072,709	42,223,038
Restricted	1,022,674	4,967,336
Unrestricted	2,067,660	(1,401,097)
Total Net Position	42,163,043	45,789,277

A large portion of the District's net position, \$42,223,038 or 92 percent, reflects its investment in capital assets (for example, land, buildings, machinery, and equipment), 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, \$4,967,336 or 11 percent, of the District's net position represents resources that are subject to external restrictions on how they may be used.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Management’s Discussion and Analysis
April 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Business-Type Activities	
	2022	2023
Revenues		
Program Revenues		
Charges for Services	\$ 3,820,162	3,582,247
Capital Grants	-	3,495,600
General Revenues		
Property Taxes	98,321	91,115
Replacement Taxes	3,902	4,749
Interest Income	345	2,988
Total Revenues	<u>3,922,730</u>	<u>7,176,699</u>
Expenses		
Sewerage	<u>4,581,204</u>	<u>3,164,029</u>
Change in Net Position	(658,474)	4,012,670
Net Position - Beginning, as Restated	<u>42,821,517</u>	<u>41,776,607</u>
Net Position - Ending	<u><u>42,163,043</u></u>	<u><u>45,789,277</u></u>

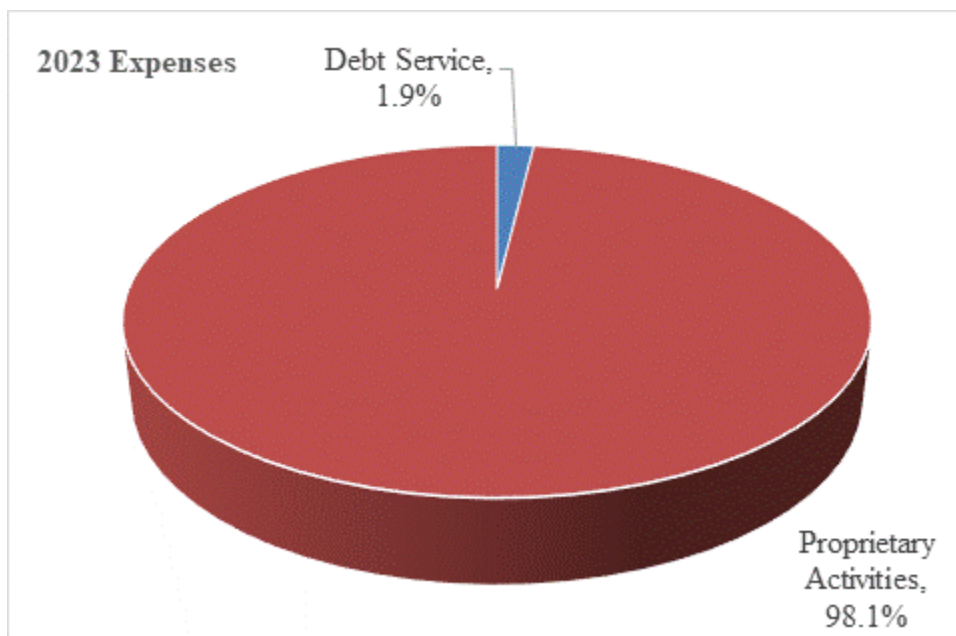
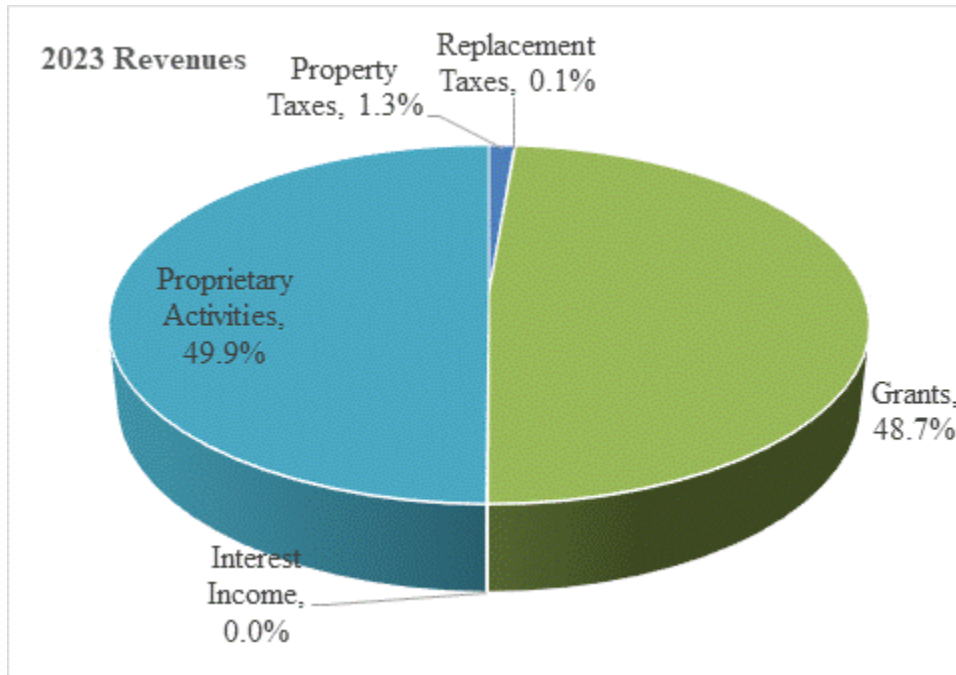
Net position of business-type activities increased by 10 percent (\$41,776,607 in 2022 compared to \$45,789,277 in 2023).

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Management's Discussion and Analysis April 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Revenues for the District totaled \$7,176,699, while the cost of all functions totaled \$3,164,029. This results in a surplus of \$4,012,670. In 2022, expenses of \$4,581,204 exceeded revenues of \$3,922,730, resulting in a deficit of \$658,474. The increase in 2023 was due in large part to grant activity during the year.



NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Management's Discussion and Analysis April 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of April 30, 2023 was \$49,309,912 (net of accumulated depreciation). This investment in capital assets includes land, construction on progress, buildings and improvements, system infrastructure, and equipment and furniture.

	Capital Assets - Net of Depreciation	
	Business-type	
	Activities	
	2022 Restated	2023
Land	\$ 1,076,505	1,076,505
Construction in Progress	1,508,831	9,010,008
Building and Improvements	1,237,359	1,206,835
System Infrastructure	37,090,619	36,684,119
Equipment and Furniture	1,132,959	1,332,445
Total	42,046,273	49,309,912

Additional information on the District's capital assets can be found in Note 3 of this report.

Debt Administration

At year-end, the District had total outstanding long-term debt of \$7,086,874 as compared to \$3,360,000 the previous year. The increase relates to the District's IEPA loan activity. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding	
	Business-type	
	Activities	
	2022	2023
General Obligation Alternate Revenue Bonds	\$ 3,360,000	2,970,000
IEPA Loans Payable	-	4,116,874
	3,360,000	7,086,874

Additional information on the District's long-term debt can be found in Note 3 of this report.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Management's Discussion and Analysis April 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board considered the following factor in preparing the budget and appropriations ordinance for the District, which was adopted for the 2023-2024 fiscal year:

- The equalized assessed valuation (EAV) for the District for 2022 is \$349,852,091. This represents an increase in EAV of \$20,962,759 in comparison with the prior year.

The District's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget, including tax rates, and fees that will be charged for its various activities. One of those factors is the economy. The District is faced with a similar economic environment as many of the other local governments are faced with, including inflation.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the District Manager, Northern Moraine Wastewater Reclamation District, P.O. Box 240, Island Lake, Illinois 60042.

FINANCIAL STATEMENTS

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Statement of Net Position
April 30, 2023**

ASSETS	
Current Assets	
Cash and Investments	\$ 2,546,133
Cash at Paying Agent	429,997
Due from Other Governments	823,827
Receivables - Net of Allowances	
Property Taxes	90,447
Accounts	265,192
Total Current Assets	<u>4,155,596</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	10,086,513
Depreciable	55,997,153
Accumulated Depreciation	<u>(16,773,754)</u>
Total Noncurrent Assets	<u>49,309,912</u>
Total Assets	<u>53,465,508</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Items - IMRF	<u>329,998</u>
Total Assets and Deferred Outflows of Resources	<u>53,795,506</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	479,410
Accrued Payroll	53,941
Accrued Interest Payable	29,997
Compensated Absences	5,590
Alternate Revenue Bonds Payable	400,000
Total Current Liabilities	<u>968,938</u>
Noncurrent Liabilities	
Compensated Absences	22,362
Net Pension Liability - IMRF	306,280
Alternate Revenue Bonds Payable	2,570,000
IEPA Loan Payable	<u>4,116,874</u>
Total Noncurrent Liabilities	<u>7,015,516</u>
Total Liabilities	7,984,454
DEFERRED INFLOWS OF RESOURCES	
Deferred Items - IMRF	<u>21,775</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,006,229</u>
NET POSITION	
Net Investment in Capital Assets	42,223,038
Restricted - Capital Improvements	4,967,336
Unrestricted (Deficit)	<u>(1,401,097)</u>
Total Net Position	<u>45,789,277</u>

The notes to the financial statements are an integral part of this statement.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended April 30, 2023

Operating Revenues	
Charges for Services	
Sewer Charges	\$ 2,881,983
Penalties	97,612
Connection Fees	485,595
Miscellaneous	117,057
Total Operating Revenues	<u>3,582,247</u>
Operating Expenses	
Personal Services	1,311,351
Contractual Services	913,053
Other	379,591
Total Operating Expenses	<u>2,603,995</u>
Operating Income Before Depreciation	978,252
Depreciation	<u>500,240</u>
Operating Income	<u>478,012</u>
Nonoperating Revenues (Expenses)	
Property Taxes	91,115
Replacement Taxes	4,749
Grants	3,495,600
Interest Income	2,988
Interest Expense and Fees	(59,794)
	<u>3,534,658</u>
Change in Net Position	4,012,670
Net Position - Beginning as Restated	<u>41,776,607</u>
Net Position - Ending	<u><u>45,789,277</u></u>

The notes to the financial statements are an integral part of this statement.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Statement of Cash Flows

For the Fiscal Year Ended April 30, 2023

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 2,917,356
Payments to Suppliers	(1,163,760)
Payments to Employees	(1,311,351)
	<u>442,245</u>
Cash Flows from Noncapital Financing Related Activities	
Property Taxes	91,115
Replacement Taxes	4,749
	<u>95,864</u>
Cash Flows from Capital and Related Financing activities	
Capital Grants	3,495,600
Principal Payment	(390,000)
Debt Issuance	4,116,874
Bond Interest and Fees	(59,794)
Purchase of Capital Assets	(7,763,879)
	<u>(601,199)</u>
Cash Flows from Investing Activities	
Interest Received	<u>2,988</u>
Net Change in Cash and Cash Equivalents	(60,102)
Cash and Cash Equivalents - Beginning	<u>3,036,232</u>
Cash and Cash Equivalents - Ending	<u><u>2,976,130</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating (Loss)	478,012
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	500,240
(Increase) Decrease in Current Assets	(664,891)
Increase (Decrease) in Current Liabilities	<u>128,884</u>
Net Cash Provided by Operating Activities	<u><u>442,245</u></u>

The notes to the financial statements are an integral part of this statement.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to the Financial Statements April 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northern Moraine Wastewater Reclamation District (the District) of Illinois is duly organized and existing under the provisions of the laws of the State of Illinois. The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District’s accounting policies established in GAAP and used by the District are described below.

REPORTING ENTITY

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 61, “The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34,” and includes all component units that have a significant operational or financial relationship with the District. Based upon the criteria set forth in the GASB Statement No. 61, there are no component units included in the reporting entity.

BASIS OF PRESENTATION

In the Statement of Net Position, the District’s activities are reported on a full accrual, economic resources basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term obligations/deferred inflows.

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District utilizes a single proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to the Financial Statements April 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting

The District's basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are user fees, accrued interest and contracts. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

For purpose of the Statement of Net Position, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of the proprietary funds' Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's investments are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY– Continued

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Business-type activities report property taxes and program fees as their major receivables.

Capital Assets

Capital assets purchased or acquired with an original cost of \$100 or more, depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs. Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Building and Improvements	5 - 40 Years
System Infrastructure	10 - 40 Years
Equipment and Furniture	5 - 20 Years

Compensated Absences

The District accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to the Financial Statements April 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY– Continued

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents a consumption/acquisition of net assets that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to the Financial Statements April 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The District follows these procedures in establishing the budgets reflected in the financial statements:

- 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 expenses and the means of financing them.
- A public hearing is conducted at a public meeting to obtain taxpayer 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 passed on July 12, 2022 and was not amended during the fiscal year.
- Formal budgetary integration is not employed as a management control device during the year for any fund.
- Appropriation comparisons presented in the accompanying financial statements are prepared on the modified accrual or accrual basis of accounting. Business-type funds use the accrual basis of accounting for both appropriation purposes and actual results.
- Expenses cannot legally exceed appropriations at the fund level.
- All appropriations lapse at year-end.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments – Statutes authorize the District to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the District’s deposits totaled \$2,879,587 and the bank balances totaled \$2,579,823. In addition, the District has \$96,543 invested in the Illinois Funds at year-end.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to the Financial Statements April 30, 2023

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has adopted its investment policy in accordance with the Illinois Public Funds Investment Act. According to the District’s investment policy, the investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements which may be reasonably anticipated in any District Fund. The District’s investment in Illinois Funds has an average maturity of less than one year.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in instruments in accordance with State Statute, the District’s investment policy does not further address credit risk. At year-end, the District’s investment in the Illinois Funds is rated AAAM by Standard & Poor’s.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy states that the District shall enter into collateral security agreements or similar instruments with any financial institution wherein District funds on deposit exceed FDIC insured limits. At year-end \$429,997 of the bank balance of the deposits was not covered by federal depository or equivalent insurance, and represents cash at paying agent for debt service payments. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment in Illinois Funds is not subject to custodial credit risk.

Concentration Risk. This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District’s investment policy does not require diversification, but the decision is left to the discretion of the Board. At year-end, the District does not have any investments over 5 percent of the total cash and investment portfolio.

PROPERTY TAXES

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 the levy. The tax levy for 2022 property taxes was adopted on November 8, 2022. That portion of the property taxes which are not available for the current year’s operations are shown as deferred revenue.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

The following is a summary of capital assets as of the date of this report:

	Restated Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 1,076,505	-	-	1,076,505
Construction in Progress	1,508,831	7,645,219	144,042	9,010,008
	<u>2,585,336</u>	<u>7,645,219</u>	<u>144,042</u>	<u>10,086,513</u>
Depreciable Capital Assets				
Building and Improvements	3,072,800	-	-	3,072,800
System Infrastructure	48,779,945	-	-	48,779,945
Equipment and Furniture	3,881,706	262,702	-	4,144,408
	<u>55,734,451</u>	<u>262,702</u>	<u>-</u>	<u>55,997,153</u>
Less Accumulated Depreciation				
Building and Improvements	1,835,441	30,524	-	1,865,965
System Infrastructure	11,689,326	406,500	-	12,095,826
Equipment and Furniture	2,748,747	63,216	-	2,811,963
	<u>16,273,514</u>	<u>500,240</u>	<u>-</u>	<u>16,773,754</u>
Total Net Depreciable Capital Assets	<u>39,460,937</u>	<u>(237,538)</u>	<u>-</u>	<u>39,223,399</u>
Total Net Capital Assets	<u>42,046,273</u>	<u>7,407,681</u>	<u>144,042</u>	<u>49,309,912</u>

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

General Obligation Alternate Revenue Bonds

The District issues general obligation alternate bonds to provide funds for the acquisition and construction of major capital facilities. Alternate revenue source bonds provide for the collection, segregation and distribution of certain revenues received by the District for the payment of principal and interest on the alternate revenue source bonds. Alternate revenue source bonds outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
\$4,100,000 General Obligation Alternate Revenue Source Refunding Bonds of 2019, due in annual installments of \$360,000 to \$450,000 plus interest at a rate of 2.02% through May 1, 2029.	\$ 3,360,000	-	390,000	2,970,000

IEPA Loans Payable

The District has entered into loan agreement with the IEPA to provide low interest financing for water quality improvements. As of the date of this report, this loan is not in repayment. IEPA loans currently outstanding as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
\$3,916,874 Illinois Environmental Protection Agency (IEPA) Loan (L175824) of 2023, due in semi-annual installments plus interest at a rate of 0.91% through July 6, 2043.	-	4,116,874	-	4,116,874

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balance	Additions	Deductions	Ending Balances	Amounts Due within One Year
Business-Type Activities					
Compensated Absences	\$ 30,839	2,887	5,774	27,952	5,590
Net Pension Liability - IMRF	215,635	90,645	-	306,280	-
Alternate Revenue Source Bonds	3,360,000	-	390,000	2,970,000	400,000
IEPA Loan Payable	-	4,116,874	-	4,116,874	-
	<u>3,606,474</u>	<u>4,210,406</u>	<u>395,774</u>	<u>7,421,106</u>	<u>405,590</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	<u>Business-Type Activities</u>	
	<u>Alternate Revenue Source Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 400,000	55,954
2025	405,000	47,824
2026	415,000	39,541
2027	425,000	31,058
2028	435,000	22,371
2029	440,000	13,534
2030	450,000	4,545
Totals	<u>2,970,000</u>	<u>214,827</u>

NET POSITION RESTATEMENT

Beginning net position of \$42,163,043 was decreased by \$386,436, resulting in restated beginning net position of \$41,776,607 due to a completed capital asset appraisal valuation.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION CLASSIFICATIONS

Net investment in capital assets was comprised of the following as of year-end:

Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 49,309,912
Less Capital Related Debt:	
Alternate Revenue Source Bonds	(2,970,000)
IEPA Loans Payable	<u>(4,116,874)</u>
Net Investment in Capital Assets	<u>42,223,038</u>

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to the District’s employees; and net income losses. The District has commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Any settlements during the past three years have not exceeded the District’s coverage.

CONTINGENT LIABILITIES

Litigation

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.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (IMRF)

The District contributes to one defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system. The District joined IMRF on January 1, 2018. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained on-line at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Plan Descriptions

Plan Administration. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

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

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

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

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

Plan Membership. As of December 31, 2022, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	-
Inactive Plan Members Entitled to but not yet Receiving Benefits	9
Active Plan Members	<u>11</u>
Total	<u><u>20</u></u>

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Contributions. As set by statute, the District’s Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended April 30, 2023, the District’s contribution was 7.37% of covered payroll.

Net Pension Liability. The District’s net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2022, using the following actuarial methods and assumptions:

Asset Valuation Method	Normal 5-Year Smoothed Fair Value
Actuarial Assumptions	
Interest Rate	7.25%
Salary Increases	2.85% to 13.75%
Cost of Living Adjustments	2.25%
Inflation	2.25%

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	25.50%	4.90%
Domestic Equities	35.50%	6.50%
International Equities	18.00%	7.60%
Real Estate	10.50%	6.20%
Blended	9.50%	6.25% - 9.90%
Cash and Cash Equivalents	1.00%	4.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the District calculated using the discount rate as well as what the District’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 463,189	306,280	103,248

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2021	\$ 732,274	516,639	215,635
Changes for the Year:			
Service Cost	60,633	-	60,633
Interest on the Total Pension Liability	55,288	-	55,288
Difference Between Expected and Actual Experience of the Total Pension Liability	22,236	-	22,236
Changes of Assumptions	-	-	-
Contributions - Employer	-	61,064	(61,064)
Contributions - Employees	-	35,139	(35,139)
Net Investment Income	-	(40,910)	40,910
Benefit Payments, including Refunds of Employee Contributions	-	-	-
Other (Net Transfer)	-	(7,781)	7,781
Net Changes	138,157	47,512	90,645
Balances at December 31, 2022	870,431	564,151	306,280

NORTHERN MORAIN WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Notes to the Financial Statements
April 30, 2023**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2023, the District recognized pension expense of \$91,329. At April 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 248,438	(10,624)	237,814
Change in Assumptions	10,673	(11,151)	(478)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	44,982	-	44,982
Total Pension Expense to be Recognized in Future Periods	304,093	(21,775)	282,318
Pension Contributions Made Subsequent to the Measurement Date	25,905	-	25,905
Total Deferred Amounts Related to IMRF	329,998	(21,775)	308,223

\$25,905 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred Outflows of Resources
2024	42,382
2025	43,619
2026	45,760
2027	50,681
2028	34,365
Thereafter	65,511
Total	282,318

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Notes to the Financial Statements
April 30, 2023

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

The District has evaluated its potential other post-employment benefits liability. Former employees who choose to retain their rights to health insurance through the District are required to pay 100% of the current premium. However, there is minimal participation. As the District provides no explicit benefit, and there is minimal participation, there is no material implicit subsidy to calculate in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Therefore, the District has not recorded a liability as of April 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Employer Contributions
Illinois Municipal Retirement Fund
- Schedule of Changes in the Employer's Net Pension Liability
Illinois Municipal Retirement Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Illinois Municipal Retirement Fund

Schedule of Employer Contributions

April 30, 2023

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 74,656	\$ 74,656	-	\$ 549,736	13.58%
2020	73,996	73,996	-	615,522	12.02%
2021	62,367	62,367	-	689,651	9.04%
2022	59,740	59,740	-	700,386	8.53%
2023	67,846	67,846	-	920,918	7.37%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	21 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Inflation	2.25%
Salary Increases	2.85% - 13.75%, Including Inflation
Investment Rate of Return	7.25%
Retirement Age	See the Notes to the Financial Statements
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Note:

The District joined IMRF on January 1, 2018. This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

NORTHERN MORAINA WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Illinois Municipal Retirement Fund

**Schedule of Changes in the Employer's Net Pension Liability
April 30, 2023**

	<u>12/31/2018</u>
Total Pension Liability	
Service Cost	\$ 61,625
Interest	2,311
Differences Between Expected and Actual Experience	356,788
Change of Assumptions	18,448
Benefit Payments, Including Refunds of Member Contributions	-
Net Change in Total Pension Liability	<u>439,172</u>
Total Pension Liability - Beginning	<u>-</u>
Total Pension Liability - Ending	<u><u>439,172</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 73,170
Contributions - Members	66,977
Net Investment Income	-
Benefit Payments, Including Refunds of Member Contributions	-
Other (Net Transfer)	<u>(4,210)</u>
Net Change in Plan Fiduciary Net Position	<u>135,937</u>
Plan Net Position - Beginning	<u>-</u>
Plan Net Position - Ending	<u><u>135,937</u></u>
Employer's Net Pension Liability	<u><u>\$ 303,235</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.95%
Covered Payroll	\$ 549,736
Employer's Net Pension Liability as a Percentage of Covered Payroll	55.16%

Note:

The District joined IMRF on January 1, 2018. This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

Changes of Assumptions. Changes in assumptions related to the discount rate were made in 2018 and 2020.

12/31/2019	12/31/2020	12/31/2021	12/31/2022
56,128	59,766	59,543	60,633
33,875	40,422	45,552	55,288
(1,509)	(13,594)	28,642	22,236
-	(15,723)	-	-
-	-	-	-
88,494	70,871	133,737	138,157
439,172	527,666	598,537	732,274
527,666	598,537	732,274	870,431
80,910	59,412	61,737	61,064
27,355	29,199	31,180	35,139
19,779	32,554	54,954	(40,910)
-	-	-	-
(5,008)	(4,105)	(7,265)	(7,781)
123,036	117,060	140,606	47,512
135,937	258,973	376,033	516,639
258,973	376,033	516,639	564,151
268,693	222,504	215,635	306,280
49.08%	62.83%	70.55%	64.81%
607,886	641,752	692,518	780,867
44.20%	34.67%	31.14%	39.22%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- Combining Schedules – Major Enterprise Fund Subfunds
- Budgetary Comparison Schedule – Sewerage Fund
- Consolidated Year-End Financial Report

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Statement of Net Position - Sewerage Subfunds
April 30, 2023**

ASSETS	Operating and Maintenance	Bond Alternate Bond and Interest	Capital	Total
Current Assets				
Cash and Investments	\$ (8,087,850)	2,373,600	8,260,383	2,546,133
Cash with Paying Agent	-	429,997	-	429,997
Due from Other Governments	-	-	823,827	823,827
Receivables - Net of Allowances				
Property Taxes	90,447	-	-	90,447
Accounts	265,192	-	-	265,192
Total Current Assets	(7,732,211)	2,803,597	9,084,210	4,155,596
Noncurrent Assets				
Capital Assets				
Nondepreciable	10,086,513	-	-	10,086,513
Depreciable	55,997,153	-	-	55,997,153
Accumulated Depreciation	(16,773,754)	-	-	(16,773,754)
Total Noncurrent Assets	49,309,912	-	-	49,309,912
Total Assets	41,577,701	2,803,597	9,084,210	53,465,508
 DEFERRED OUTFLOWS OF RESOURCES				
Deferred Items - IMRF	329,998	-	-	329,998
Total Assets and Deferred Outflows of Resources	41,907,699	2,803,597	9,084,210	53,795,506
 LIABILITIES				
Current Liabilities				
Accounts Payable	479,410	-	-	479,410
Accrued Payroll	53,941	-	-	53,941
Accrued Interest Payable	-	29,997	-	29,997
Compensated Absences	5,590	-	-	5,590
Alternate Revenue Bonds Payable	-	400,000	-	400,000
Total Current Liabilities	538,941	429,997	-	968,938
Noncurrent Liabilities				
Compensated Absences	22,362	-	-	22,362
Net Pension Liability - IMRF	306,280	-	-	306,280
Alternate Revenue Bonds Payable - Net	-	2,570,000	-	2,570,000
IEPA Loans Payable	-	-	4,116,874	4,116,874
Total Noncurrent Liabilities	328,642	2,570,000	4,116,874	7,015,516
Total Liabilities	867,583	2,999,997	4,116,874	7,984,454
 DEFERRED INFLOWS OF RESOURCES				
Deferred Items - IMRF	21,775	-	-	21,775
Total Liabilities and Deferred Inflows of Resources	889,358	2,999,997	4,116,874	8,006,229
 NET POSITION				
Net Investment in Capital Assets	49,309,912	(2,970,000)	(4,116,874)	42,223,038
Restricted - Capital Improvements	-	-	4,967,336	4,967,336
Unrestricted (Deficit)	(8,291,571)	2,773,600	4,116,874	(1,401,097)
Total Net Position	41,018,341	(196,400)	4,967,336	45,789,277

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Statement of Changes in Net Position - Sewerage Subfunds
For the Fiscal Year Ended April 30, 2023**

	Operating and Maintenance	Bond Alternate Bond and Interest	Capital	Total
Net Position - Beginning as Restated	\$ 40,889,930	(135,997)	1,022,674	41,776,607
Add (Deduct)				
Net Income (Loss) for the Year	128,411	(60,403)	3,944,662	4,012,670
Net Position - Ending	41,018,341	(196,400)	4,967,336	45,789,277

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Schedule of Operating Expenses and Nonoperating Expenses - Budget and Actual
For the Fiscal Year Ended April 30, 2023**

	Original Budget	Final Budget	Actual
Operating Expenses			
Personnel Services			
Salaries	\$ 865,250	865,250	920,918
Payroll Tax Expense	64,910	64,910	67,285
Pension Expense	-	-	23,483
Payroll Expense Other	900	900	971
Employee Insurance	180,800	180,800	202,928
Clothing Allowance	10,600	10,600	26,016
Training/Seminars	2,800	2,800	1,904
IMRF	67,440	67,440	67,846
Total Personnel Services	<u>1,192,700</u>	<u>1,192,700</u>	<u>1,311,351</u>
Contractual Services			
Maintenance - Buildings	18,000	18,000	29,339
Maintenance - Vehicles	11,000	11,000	3,717
Maintenance - Equipment	22,500	22,500	-
Maintenance - Utility System	68,000	68,000	36,744
Maintenance Supplies	3,000	3,000	16
Sludge Removal	30,000	30,000	42,230
Operating Supplies	143,300	143,300	143,913
General Insurance	84,335	84,335	88,284
Telephone	36,090	36,090	36,362
Utilities	160,500	160,500	134,698
Security System	11,700	11,700	11,546
Rental	1,100	1,100	86
Travel	3,000	3,000	4,950
Software Support	49,470	49,470	36,357
Accounting Services	8,600	8,600	12,963
Professional Lab Services	8,000	8,000	13,876
J.U.L.I.E. Locates	3,500	3,500	3,011
Engineering Services	6,000	6,000	-
Legal Services	61,500	61,500	96,959
Permit Fees	18,000	18,000	18,000
Other Professional Services	104,800	104,800	121,684
Office Supplies	7,000	7,000	12,991
Postage	25,000	25,000	30,742
Website	2,000	2,000	287
Printing and Publishing	9,300	9,300	14,675
Publications and Subscriptions	200	200	308
Dues and Memberships	4,860	4,860	4,305

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Schedule of Operating Expenses and Nonoperating Expenses - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2023**

	Original Budget	Final Budget	Actual
Operating Expenses - Continued			
Contractual Services - Continued			
Bank Charges	\$ 13,800	13,800	15,010
Refunds	100	100	-
Total Contractual Services	<u>914,655</u>	<u>914,655</u>	<u>913,053</u>
Other			
Office Equipment	6,000	6,000	5,801
Capitalized Treatment Upgrade	14,918,802	14,918,802	372,150
Building Improvements	9,000	9,000	1,031
Miscellaneous	500	500	609
Total Other Expenses	<u>14,934,302</u>	<u>14,934,302</u>	<u>379,591</u>
Total Operating Expenses	<u>17,041,657</u>	<u>17,041,657</u>	<u>2,603,995</u>
Nonoperating Expenses			
Debt Service/Alternate Bond Fund Expenses			
Bond Principal	390,000	390,000	-
Interest Expense and Fees	67,872	67,872	59,794
Total Debt Service/Alternate Bond Fund Expenses	<u>457,872</u>	<u>457,872</u>	<u>59,794</u>
Total Nonoperating Expenses	<u>457,872</u>	<u>457,872</u>	<u>59,794</u>
Total Expenses	<u>17,499,529</u>	<u>17,499,529</u>	<u>2,663,789</u>

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Consolidated Year-End Financial Report
April 30, 2023**

<u>CSFA #</u>	<u>Program Name</u>	<u>State</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
532-00-2477	IEPA Unsewered Community Grant	\$ 3,495,600	-	-	3,495,600
532-60-0377	Capitalization Grants for Clean Water				
	State Revolving Fund	-	178,202	3,938,672	4,116,874
	Other Grant Programs and Activities	-	-	-	-
	All Other Costs Not Allocated	-	-	3,164,029	3,164,029
	Totals	<u>3,495,600</u>	<u>178,202</u>	<u>7,102,701</u>	<u>10,776,503</u>



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 7, 2023

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Northern Moraine Wastewater Reclamation District, Illinois, as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated September 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. According, we do not express an opinion on the effectiveness of the District’s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

SUPPLEMENTAL SCHEDULES

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Assessed Valuations, Extended Tax Rates, Percentage Allocation and Amounts by Fund - Last Three Tax Levy Years
April 30, 2023**

	2022	2021	2020
Tax Levy Year Assessed Valuation			
Lake County	\$ 155,786,850	\$ 146,204,102	\$ 139,013,807
McHenry County	203,647,989	189,875,525	185,239,777
Totals	<u>359,434,839</u>	<u>336,079,627</u>	<u>324,253,584</u>

**Tax Rates and Percentages
Allocated by Fund**

	Rate	Percentage	Rate	Percentage	Rate	Percentage
Lake County						
General Fund	0.025119	100.00%	0.026843	100.00%	0.030824	100.00%
Tort Immunity Fund	-	0.00%	-	0.00%	-	0.00%
Totals	<u>0.025119</u>	<u>100.00%</u>	<u>0.026843</u>	<u>100.00%</u>	<u>0.030824</u>	<u>100.00%</u>
McHenry County						
General Fund	0.025198	100.00%	0.027372	100.00%	0.009215	30.61%
Tort Immunity Fund	-	0.00%	-	0.00%	0.020889	69.39%
Totals	<u>0.025198</u>	<u>100.00%</u>	<u>0.027372</u>	<u>100.00%</u>	<u>0.030104</u>	<u>100.00%</u>

Data Source: District Records

NORTHERN MORaine WASTEWATER RECLAMATION DISTRICT, ILLINOIS

**Property Tax Extensions - Last Three Tax Levy Years
April 30, 2023**

Levy Year County	2022		2021		2020		
	Lake	McHenry	Lake	McHenry	Lake	McHenry	Total
Funds							
General	\$ 39,132	51,315	39,246	51,865	42,850	17,129	59,979
Tort Immunity	-	-	-	-	-	38,695	38,695
Totals	39,132	51,315	39,246	51,865	42,850	55,824	98,674

Data Source: District Records

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT, ILLINOIS

Miscellaneous Statistics
April 30, 2023

Total Gallons of Wastewater Treated for the Fiscal Year		414,670,000
Total Amount of Dollars Billed	\$	2,855,115
Number of Users Connected to the Sewage Works		5,435
Number of Non-Metered Users		5,336
Debt Service Requirements for the Next Succeeding Fiscal Year	<u>Alternate Revenue Source Bonds</u>	
	Principal	\$ 400,000
	Interest	<u>55,954</u>
	Total	<u><u>455,954</u></u>
	<u>IEPA Loan</u>	
	Principal	\$ *
	Interest	<u>35,644</u>
	Total	<u><u>35,644</u></u>

* Loan Still in Draw Phase. No Final Repayment Schedule Available as of the Date of this Report.

Data Source: District Records