

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020



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**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
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YEAR ENDED DECEMBER 31, 2020**

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TOWNS OF ALGOMA AND OMRO, WISCONSIN
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Town of Algoma Sanitary District #1
Towns of Algoma and Omro, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Algoma Sanitary District #1, Towns of Algoma and Omro, Wisconsin (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 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 financial position of the Town of Algoma Sanitary District #1 as of December 31, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Summarized Financial information

We have previously audited the District's 2019 financial statements, and our report dated March 5, 2020, expressed unmodified opinions on those respective financial statements from which the prior year summarized financial information was derived. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 33 be presented to supplement the basic financial statements. Such information, although not 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 response to our inquiries, the 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Board of Commissioners
Town of Algoma Sanitary District #1
Towns of Algoma and Omro, Wisconsin

The supplementary 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. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Algoma Sanitary District No. 1 as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated March 5, 2020, which contained unmodified opinions on the respective financial statements of the Town of Algoma Sanitary District #1. The supplementary schedules for the year ended December 31, 2019 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 2019 financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2019.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
March 22, 2021

FINANCIAL STATEMENTS

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019)

	Water	Sewer	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Investments:	\$ 517,708	\$ 4,563,209	\$ 5,080,917	\$ 5,027,046
Customer Accounts	158,712	6,461	165,173	156,389
Special Assessments	315,002	25,254	340,256	363,306
Other	12,539	78,331	90,870	31,605
Due from Other Governments	8,872	1,294,490	1,303,362	1,298,973
Inventories and Prepaid Items	22,378	12,217	34,595	20,249
Total Current Assets	<u>1,035,211</u>	<u>5,979,962</u>	<u>7,015,173</u>	<u>6,897,568</u>
NONCURRENT ASSETS				
Restricted Assets:				
Cash and Investments	166,420	371,764	538,184	702,313
OTHER ASSETS				
Special Assessments Receivable	1,145,338	65,791	1,211,129	1,474,643
Assets Held for Future Use	-	2,113	2,113	2,113
Advance to Water Utility	-	2,500,000	2,500,000	2,000,000
Net Pension Asset	52,409	47,055	99,464	-
Total Other Assets	<u>1,197,747</u>	<u>2,614,959</u>	<u>3,812,706</u>	<u>3,476,756</u>
CAPITAL ASSETS				
Nondepreciable	276,609	250,673	527,282	464,988
Depreciable, Net	<u>18,460,390</u>	<u>10,515,454</u>	<u>28,975,844</u>	<u>28,571,537</u>
Total Capital Assets	<u>18,736,999</u>	<u>10,766,127</u>	<u>29,503,126</u>	<u>29,036,525</u>
Total Assets	21,136,377	19,732,812	40,869,189	40,113,162
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Advance Refunding	22,844	15,679	38,523	49,912
Pension Related Amounts	<u>121,427</u>	<u>110,212</u>	<u>231,639</u>	<u>292,719</u>
Total Deferred Outflows of Resources	<u>144,271</u>	<u>125,891</u>	<u>270,162</u>	<u>342,631</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,280,648</u>	<u>\$ 19,858,703</u>	<u>\$ 41,139,351</u>	<u>\$ 40,455,793</u>

See accompanying Notes to Financial Statements.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019)**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Water	Sewer	Totals	
			2020	2019
CURRENT LIABILITIES				
Accounts Payable	\$ 70,018	\$ 264,400	\$ 334,418	\$ 188,429
Accrued Interest	77,862	5,936	83,798	89,042
Accrued and Other Current Liabilities	24,597	30,420	55,017	53,711
Special Deposits	1,000	1,000	2,000	3,000
Unearned Revenue	-	1,084,456	1,084,456	1,038,816
Current Portion of Long-Term Obligations	1,245,959	91,575	1,337,534	1,300,957
Total Current Liabilities	<u>1,419,436</u>	<u>1,477,787</u>	<u>2,897,223</u>	<u>2,673,955</u>
LONG-TERM LIABILITIES, Less Current Portion				
General Obligation Debt	5,312,851	631,810	5,944,661	7,300,397
Advance from Sewer Utility	2,500,000	-	2,500,000	2,000,000
Compensated Absences	28,452	28,452	56,904	48,592
Net Pension Liability	-	-	-	107,628
Total Long-Term Liabilities	<u>7,841,303</u>	<u>660,262</u>	<u>8,501,565</u>	<u>9,456,617</u>
Total Liabilities	9,260,739	2,138,049	11,398,788	12,130,572
DEFERRED INFLOWS OF RESOURCES				
Special Charges on Subsequent Year Tax Roll	-	209,360	209,360	250,000
Pension Related Amounts	157,339	141,264	298,603	149,684
Total Deferred Inflows of Resources	<u>157,339</u>	<u>350,624</u>	<u>507,963</u>	<u>399,684</u>
NET POSITION				
Net Investment in Capital Assets	12,153,986	10,035,989	22,189,975	20,073,511
Restricted	218,829	418,819	637,648	723,579
Unrestricted	(510,245)	6,915,222	6,404,977	7,128,447
Total Net Position	<u>11,862,570</u>	<u>17,370,030</u>	<u>29,232,600</u>	<u>27,925,537</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 21,280,648</u>	<u>\$ 19,858,703</u>	<u>\$ 41,139,351</u>	<u>\$ 40,455,793</u>

See accompanying Notes to Financial Statements.

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Water	Sewer	Totals	
			2020	2019
OPERATING REVENUES				
Charges for Services	\$ 865,346	\$ 1,274,148	\$ 2,139,494	\$ 1,995,894
Other	169,828	5,216	175,044	174,309
Total Operating Revenues	<u>1,035,174</u>	<u>1,279,364</u>	<u>2,314,538</u>	<u>2,170,203</u>
OPERATING EXPENSES				
Operation and Maintenance	497,165	1,005,386	1,502,551	1,479,013
Depreciation	473,243	439,515	912,758	967,134
Taxes	19,991	19,515	39,506	38,882
Total Operating Expenses	<u>990,399</u>	<u>1,464,416</u>	<u>2,454,815</u>	<u>2,485,029</u>
OPERATING INCOME (LOSS)	44,775	(185,052)	(140,277)	(314,826)
NONOPERATING REVENUES (EXPENSES)				
General Property Taxes	-	250,091	250,091	241,350
Interest Income	65,876	112,778	178,654	240,702
Net Interest Expense	(229,904)	(15,739)	(245,643)	(276,756)
Total Nonoperating Revenues (Expenses)	<u>(164,028)</u>	<u>347,130</u>	<u>183,102</u>	<u>205,296</u>
LOSS BEFORE CONTRIBUTIONS	(119,253)	162,078	42,825	(109,530)
Capital Contributions	<u>749,127</u>	<u>515,111</u>	<u>1,264,238</u>	<u>358,501</u>
CHANGE IN NET POSITION	629,874	677,189	1,307,063	248,971
Net Position - Beginning of Year	<u>11,232,696</u>	<u>16,692,841</u>	<u>27,925,537</u>	<u>27,676,566</u>
NET POSITION - END OF YEAR	<u>\$ 11,862,570</u>	<u>\$ 17,370,030</u>	<u>\$ 29,232,600</u>	<u>\$ 27,925,537</u>

See accompanying Notes to Financial Statements.

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Water	Sewer	Totals	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,021,974	\$ 1,273,006	\$ 2,294,980	\$ 2,163,412
Cash Paid for Employee Wages and Benefits	(328,321)	(321,991)	(650,312)	(668,705)
Cash Paid to Suppliers	(177,945)	(639,117)	(817,062)	(720,830)
Net Cash Provided by Operating Activities	515,708	311,898	827,606	773,877
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
General Property Taxes	-	250,091	250,091	241,350
Advance from Sewer Utility	500,000	(500,000)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	500,000	(249,909)	250,091	241,350
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(160,130)	(233,699)	(393,829)	(156,096)
Capital Contributions	63,795	19,865	83,660	157,433
Special Assessments Received	457,835	35,636	493,471	538,463
Interest Received on Special Assessments	69,404	5,791	75,195	90,675
Principal Paid on Long-Term Debt	(1,211,416)	(89,540)	(1,300,956)	(1,214,762)
Interest Paid on Long-Term Debt	(242,554)	(15,140)	(257,694)	(295,278)
Net Cash Used by Capital and Related Financing Activities	(1,023,066)	(277,087)	(1,300,153)	(879,565)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	6,837	105,361	112,198	168,704
CHANGE IN CASH AND CASH EQUIVALENTS	(521)	(109,737)	(110,258)	304,366
Cash and Cash Equivalents - Beginning of Year	684,649	5,044,710	5,729,359	5,424,993
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 684,128	\$ 4,934,973	\$ 5,619,101	\$ 5,729,359

See accompanying Notes to Financial Statements.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	Water	Sewer	Totals	
			2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 44,775	\$ (185,052)	\$ (140,277)	\$ (314,826)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	473,243	439,515	912,758	967,134
Change in WRS Asset/Liability	(107,946)	(99,146)	(207,092)	100,442
Change in WRS Deferred Outflow	30,200	30,880	61,080	26,748
Change in WRS Deferred Inflow	80,100	68,819	148,919	(74,228)
Change in Operating Assets and Liabilities:				
Customer Accounts	(3,157)	(5,627)	(8,784)	(4,871)
Other	(10,384)	-	(10,384)	7,215
Due from Other Governments	341	(4,730)	(4,389)	(70,573)
Inventories and Prepaid Items	(9,403)	(4,950)	(14,353)	31,969
Accounts Payable	13,952	62,558	76,510	64,168
Accrued and Other Current Liabilities	(169)	1,475	1,306	1,485
Customer Deposits	-	(1,000)	(1,000)	1,000
Unearned Revenue	-	5,000	5,000	60,437
Compensated Absences	4,156	4,156	8,312	(7,980)
Net Cash Provided by Operating Activities	<u>\$ 515,708</u>	<u>\$ 311,898</u>	<u>\$ 827,606</u>	<u>\$ 773,877</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Cash Equivalents in Current Assets	\$ 517,708	\$ 4,563,209	\$ 5,080,917	\$ 5,027,046
Cash and Cash Equivalents in Restricted Assets	166,420	371,764	538,184	702,313
Total Cash and Cash Equivalents	<u>\$ 684,128</u>	<u>\$ 4,934,973</u>	<u>\$ 5,619,101</u>	<u>\$ 5,729,359</u>
Noncash Capital and Related Financing Activities				
Capital contributions	\$ 476,725	\$ 439,323	\$ 916,048	\$ -

See accompanying Notes to Financial Statements.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Algoma Sanitary District #1, Towns of Algoma and Omro, Wisconsin (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The District is organized under Section 60.70 of the state of Wisconsin Statutes and provides water and sewer service to properties within the towns of Algoma and Omro and the city of Oshkosh, Wisconsin. The District is governed by a three-member utility commission. User rates for the water utility are set by the Public Service Commission of Wisconsin (PSCW). Rates for the sewer utility are set by the District commission. In accordance with GAAP, the financial statements are required to include the District utilities and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in these financial statements.

B. Enterprise Funds

The accounts of the District are accounted for in enterprise funds as required by GAAP. Enterprise funds are used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

The District reports the following major enterprise funds:

Water Utility Fund

The water utility accounts for the financing of the construction, operation, and maintenance of the water facilities.

Sewer Utility Fund

The sewer utility accounts for the financing of the construction, operation, and maintenance of the sewerage facilities.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with the District'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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits, and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Special Assessments

This account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

2. Special Assessments (Continued)

There were \$4,415,572 of anticipated future assessments for water and \$318,877 of anticipated future assessments for sewer as of December 31, 2020, which are not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established. The balance of this account consists of amounts that will be assessed once property owners' vacant land is developed or connection is made to existing infrastructure.

The water utility had \$66,000 of new future special assessments. Interest added to future special assessments was \$59,039 in 2020. The sewer utility has \$10,000 of new future special assessments and interest added to future special assessments of \$4,458 in 2020.

3. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

5. Inventories

Inventories are recorded at cost, which approximates market, using the weighted average method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefitted.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

7. Capital Assets

Capital assets, which include property, plant, and equipment assets, are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water Plant:	
Source of Supply	34
Pumping	22 to 32
Water Treatment	30
Transmission and Distribution	18 to 100
General	4 to 34
Sewer Plant:	
Collecting System	50
Collecting System Pumping	20
General	4 to 34

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits in accordance with employee handbook policies. All sick leave is accrued when incurred in financial statements. A liability for these amounts is reported in the financial statements only if the benefits are considered to be vested. The liability is liquidated from general operating revenues of the District.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

10. Long-Term Obligations

In the 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. Gains or losses on refunding are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

11. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Capital Contributions

The value of capital assets contributed to the District by customers, or other external parties, or cash contributions used to construct capital assets is reported as capital contributions revenue in the statement of revenues, expenses, and changes in net position.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

13. Fund Equity

Equity is classified as net position and displayed in three components:

- **Net Investment in Capital Assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted Net Position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F. Prior Year Information

Comparative amounts for the prior year have been presented in the financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The District maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and Investments".

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state, and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the District's cash and investments totaled \$5,619,101 on December 31, 2020 as summarized below:

Petty Cash and Cash on Hand	\$	400
Deposits with Financial Institutions		4,563,799
Investments:		
Wisconsin Local Government Investment Pool		1,054,902
Total		<u><u>\$ 5,619,101</u></u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:

Water Utility:

Cash and Investments	\$	517,708
Restricted Cash and Investments		166,420
Subtotal - Water Utility		<u>684,128</u>

Sewer Utility:

Cash and Investments		4,563,209
Restricted Cash and Investments		371,764
Subtotal - Sewer Utility		<u>4,934,973</u>
Total		<u><u>\$ 5,619,101</u></u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

A. Cash and Investments (Continued)

Fair Value Measurements

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 observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020, \$2,615,339 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. The entire balance was collateralized by a third party.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The District has investments in the Wisconsin Local Government Investment Pool of \$1,054,902 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy. The District's investment in the Wisconsin Local Government Investment Pool is not rated.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's formal investment policy does not allow the District to enter into any investments subject to credit risk or interest rate risk with the exception of the Local Government Investment Pool which is allowed by state statutes. The investments held by the Wisconsin Local Government Investment Pool mature in 12 months or less.

B. Restricted Assets

Restricted assets on December 31, 2020 totaled \$538,184 and consisted of cash and investments held for the following purposes:

<u>Funds</u>	<u>Amount</u>	<u>Purpose</u>
Enterprise Funds:		
Water Utility:		
Redemption	\$ 166,420	To account for resources accumulated for debt service payments.
Sewer Utility:		
Redemption	<u>371,764</u>	To account for resources accumulated for debt service payments.
Total	<u>\$ 538,184</u>	

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

C. Due from Other Governments

Due from other governments between the water and sewer utilities as of December 31, 2020 are detailed below:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
Water Utility	Municipalities	\$ 8,872	Delinquent Accounts Placed on Tax Bill
Sewer Utility	Municipalities	1,085,130	Sanitary User Fees
Sewer Utility	Municipalities	209,360	Tax Levy
Subtotal		<u>1,294,490</u>	
Total Due from Other Governments		<u>\$ 1,303,362</u>	

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

D. Capital Assets

The following is a summary of changes in water utility capital assets for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Water Utility:				
Capital Assets, Nondepreciable:				
Land	\$ 184,003	\$ -	\$ -	\$ 184,003
Construction in Progress	36,572	56,034	-	92,606
Total Capital Assets, Nondepreciable	<u>220,575</u>	<u>56,034</u>	<u>-</u>	<u>276,609</u>
Capital Assets, Depreciable:				
Source of Supply	731,552	-	-	731,552
Pumping	1,882,581	-	-	1,882,581
Water Treatment	775,431	-	-	775,431
Transmission and Distribution	17,245,799	594,861	29,400	17,811,260
General	4,071,201	33,008	7,277	4,096,932
Subtotals	<u>24,706,564</u>	<u>627,869</u>	<u>36,677</u>	<u>25,297,756</u>
Less: Accumulated Depreciation	<u>6,400,800</u>	<u>473,243</u>	<u>36,677</u>	<u>6,837,366</u>
Total Capital Assets, Depreciable, Net	<u>18,305,764</u>	<u>154,626</u>	<u>-</u>	<u>18,460,390</u>
Capital Assets, Net	<u>\$ 18,526,339</u>	<u>\$ 210,660</u>	<u>\$ -</u>	18,736,999
Less: Capital Related Debt				6,507,000
Less: Debt Premium				51,810
Less: Accounts Payable				47,047
Add: Loss on Advance Refunding				22,844
Net Investment in Capital Assets				<u>\$ 12,153,986</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

D. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Sewer Utility:				
Capital Assets, Nondepreciable:				
Land	\$ 220,841	\$ -	\$ -	\$ 220,841
Construction in Progress	23,572	6,260	-	29,832
Total Capital Assets, Nondepreciable	244,413	6,260	-	250,673
Capital Assets, Depreciable:				
Collecting System	17,238,418	446,615	462	17,684,571
Collecting System Pumping	1,419,467	172,146	825	1,590,788
Treatment and Disposal	10,696	-	-	10,696
General	760,525	70,434	7,277	823,682
Subtotals	19,429,106	689,195	8,564	20,109,737
Less: Accumulated Depreciation	9,163,333	439,515	8,565	9,594,283
Total Capital Assets, Depreciable, Net	10,265,773	249,680	(1)	10,515,454
Capital Assets, Net	<u>\$ 10,510,186</u>	<u>\$ 255,940</u>	<u>\$ (1)</u>	10,766,127
Less: Capital Related Debt				712,250
Less: Debt Premium				11,135
Less: Accounts Payable				22,432
Add: Loss on Advance Refunding				15,679
Net Investment in Capital Assets				<u>\$ 10,035,989</u>

Depreciation expense was charged to functions of the District as follows:

Water Utility	\$ 473,243
Sewer Utility	439,515
Total Depreciation Expense	<u>\$ 912,758</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

E. Advance from Sewer Utility to Water Utility

Advance from sewer utility to water utility at December 31, 2020 is comprised of the following:

\$1,000,000 advanced 6/18/2009 renewed in 2019; interest payment of \$22,000 due annually through 2029; principal due in 2029, interest rate of 2.20%	\$ 1,000,000
\$500,000 advanced 3/31/2018; interest payment of \$13,250 due annually through 2028; principal due in 2028, interest rate of 2.65%	500,000
\$500,000 advanced 3/31/2019; interest payment of \$11,500 due annually through 2029; principal due in 2029, interest rate of 2.30%	500,000
\$500,000 advanced 3/31/2020; interest payment of \$6,250 due annually through 2030; principal due in 2030, interest rate of 1.25%	<u>500,000</u>
Total	<u><u>\$ 2,500,000</u></u>

Annual principal and interest are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 54,042	\$ 54,042
2022	-	53,000	53,000
2023	-	53,000	53,000
2024	-	53,000	53,000
2025	-	53,000	53,000
2026-2030	<u>2,500,000</u>	<u>205,000</u>	<u>2,705,000</u>
Total	<u><u>\$ 2,500,000</u></u>	<u><u>\$ 471,042</u></u>	<u><u>\$ 2,971,042</u></u>

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the water utility for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Debt:					
Bonds	\$ 4,358,210	\$ -	\$ 510,459	\$ 3,847,751	\$ 528,425
Notes from Direct Borrowings	<u>3,360,206</u>	-	<u>700,957</u>	<u>2,659,249</u>	<u>717,534</u>
Total General Obligation Debt	7,718,416	-	1,211,416	6,507,000	1,245,959
Debt Premium	66,720	-	14,910	51,810	-
Compensated Absences	24,296	5,509	1,353	28,452	-
Long-Term Obligations	<u><u>\$ 7,809,432</u></u>	<u><u>\$ 5,509</u></u>	<u><u>\$ 1,227,679</u></u>	<u><u>\$ 6,587,262</u></u>	<u><u>\$ 1,245,959</u></u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

F. Long-Term Obligations (Continued)

The water utility's outstanding notes from direct borrowings of \$2,659,249 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the water utility or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

Total interest paid during the year on long-term debt totaled \$242,554.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Notes from Direct Borrowing	4/14/04	5/1/23	2.37 %	\$ 7,154,843	\$ 1,352,597
Notes from Direct Borrowing	4/13/05	5/1/24	2.37	2,215,742	552,151
Notes from Direct Borrowing	4/12/06	5/1/25	2.37	2,449,342	754,502
General Obligation Bonds	2/2/11	4/1/26	2.00 - 4.05	2,550,000	1,520,000
General Obligation Bonds	4/1/15	3/1/28	2.13 - 3.00	2,265,000	1,290,000
General Obligation Bonds	6/2/16	2/1/28	2.00	1,381,690	1,037,750
Total Outstanding General Obligation Debt					<u>\$ 6,507,000</u>

General Obligation Debt (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$6,507,000 on December 31, 2020 are detailed below:

Year Ended December 31,	Bonded Debt		Notes from: Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 528,425	\$ 107,670	\$ 717,534	\$ 54,406	\$ 1,245,959	\$ 162,076
2022	538,425	91,824	734,504	37,236	1,272,929	129,060
2023	553,425	75,228	751,875	19,660	1,305,300	94,888
2024	561,390	58,579	297,299	7,253	858,689	65,832
2025	587,320	41,034	158,037	1,869	745,357	42,903
2026 - 2028	1,078,766	35,057	-	-	1,078,766	35,057
Total	<u>\$ 3,847,751</u>	<u>\$ 409,392</u>	<u>\$ 2,659,249</u>	<u>\$ 120,424</u>	<u>\$ 6,507,000</u>	<u>\$ 529,816</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

F. Long-Term Obligations (Continued)

The following is a summary of changes in long-term obligations for the sewer utility for the year ended December 31, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Bonds:	\$ 801,790	\$ -	\$ 89,540	\$ 712,250	\$ 91,575
Debt Premium	14,428	-	3,293	11,135	-
Compensated Absences	24,296	5,509	1,353	28,452	-
Long-Term Obligations	<u>\$ 840,514</u>	<u>\$ 5,509</u>	<u>\$ 94,186</u>	<u>\$ 751,837</u>	<u>\$ 91,575</u>

Total interest paid on long-term debt totaled \$15,140.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/20
General Obligation Bonds	6/2/16	2/1/28	2.00%	<u>\$ 948,310</u>	<u>\$ 712,250</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$712,250 on December 31, 2020 are detailed below:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 91,575	\$ 13,329
2022	91,575	11,498
2023	91,575	9,666
2024	93,610	7,814
2025	97,680	5,901
2026-2028	246,235	6,410
Total	<u>\$ 712,250</u>	<u>\$ 54,618</u>

Equalized Valuation of the District	\$ 814,131,888
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	40,706,594
Net Outstanding General Obligation Debt Applicable to Debt Limitation	<u>7,219,250</u>
Legal Margin for New Debt	<u>\$ 33,487,344</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan

1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible state of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone WRS Financial Report, which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan (Continued)

2. Postretirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment (Percent)</u>	<u>Variable Fund Adjustment (Percent)</u>
2010	(1.3)%	22 %
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	-	(10)

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the executives and elected officials' category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the year ending December 31, 2020, the WRS recognized \$34,310 in contributions from the District.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan (Continued)

3. Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.55 %	6.55 %
Protective with Social Security	6.55	10.55
Protective without Social Security	6.55	14.95

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

At December 31, 2020, the District reported an asset of \$99,464 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.00308468%, which was an increase of 0.00005944% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the District recognized pension expense of \$37,276.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan (Continued)

4. Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Water Utility		Sewer Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 99,484	\$ 49,785	\$ 89,320	\$ 44,698
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	107,143	-	96,197
Changes in Assumptions	4,083	-	3,666	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	409	411	367	369
Employer Contributions Subsequent to the Measurement Date	17,451	-	16,859	-
Total	<u>\$ 121,427</u>	<u>\$ 157,339</u>	<u>\$ 110,212</u>	<u>\$ 141,264</u>

\$34,310 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Water Utility Expense</u>	<u>Sewer Utility Expense</u>
2021	\$ (16,027)	\$ (14,389)
2022	(11,806)	(10,600)
2023	1,959	1,758
2024	(27,489)	(24,680)
Total	<u>\$ (53,363)</u>	<u>\$ (47,911)</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.9%

- No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Long-Term Expected Return on Plan Assets. 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 by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

	Current Asset Allocation Percent	Long-Term Expected Nominal Rate of Return Percent	Long-Term Expected Real Rate of Return Percent
Core Fund Asset Class:			
Global Equities	49 %	8.1 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Cash	(10)	0.9	N/A
Total Core Fund	100 %	7.5	4.6
Variable Fund Asset Class:			
U.S. Equities	70 %	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100 %	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single Discount Rate. A single discount rate of 7.00% was used to measure the Total Pension Liability, for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate:

	One Percent Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	One Percent Increase to Discount Rate (8.0%)
Water Utility's Proportionate Share of the Net Pension Liability (Asset)	\$ 134,964	\$ (52,409)	\$ (192,492)
Sewer Utility's Proportionate Share of the Net Pension Liability (Asset)	121,174	(47,055)	(172,825)
Total	<u>\$ 256,138</u>	<u>\$ (99,464)</u>	<u>\$ (365,317)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

6. Payables to the Pension Plan

At December 31, 2020, the District reported a payable of \$11,229 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2020.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUND (CONTINUED)

H. Fund Equity

Net Position

The District reports restricted net position at December 31, 2020 as follows:

Water Utility:

Restricted for:

Future Debt Payments	\$ 166,420
Pension	<u>52,409</u>
Total Water Utility Restricted Net Position	<u><u>218,829</u></u>

Sewer Utility:

Restricted for:

Future Debt Payments	371,764
Pension	<u>47,055</u>
Total Sewer Utility Restricted Net Position	<u><u>418,819</u></u>

Total Restricted Net Position	<u><u>\$ 637,648</u></u>
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NOTE 3 OTHER INFORMATION

A. Long Term Contracts

Prior to December 31, 2020, the city of Oshkosh, Wisconsin and the District agreed to extend the current contract for wastewater treatment through December 31, 2021, with the city of Oshkosh Wastewater Treatment Facility. The contract payments are based on the District's amount of usage.

Under the treatment contract, the District is subject to retroactive charges when and if its actual use of the treatment plant exceeds the original anticipated use. Prior to 1998, the District paid 2.5% of the city's demand-related costs. That increased to 5.0% when the average metered flow to the plan exceeded 500,000 gallons per day (g.p.d.), which would increase to 7.5% when the flow exceeds 1,000,000 g.p.d. and 10.4% when the flow exceeds 1,500,000 g.p.d. The increased rates are retroactive to the date of the contract. Sewerage treatment expenses paid to the city of Oshkosh, Wisconsin were \$186,315 in 2020.

Additionally, the city of Omro, Wisconsin provides sewage treatment services to District customers in the town of Omro, Wisconsin. The District is required to pay its pro-rated share of the operation, maintenance, replacement, and capital costs computed based upon an established formula. Sewerage treatment expenses from the city of Omro, Wisconsin were \$114,454 in 2020.

The District is working to negotiate a long-term renewal of the wastewater treatment contract with the city of Oshkosh, Wisconsin, with an estimated completion date of mid to late 2021. The District does not anticipate a change to the proportion of plant allocated to the District by the city.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. Settled claims have not exceeded coverage in each of the past three years.

C. Contingencies

From time-to-time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

D. Subsequent Event

On March 11, 2021 the Commission approved the Sewer Utility to advance the Water Utility \$2,000,000 which will be used to make required future debt service payments.

E. Risks And Uncertainties

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the Sanitary District, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the Sanitary District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of March 22, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00285388 %	\$ (70,099)	\$ 399,871	(17.53)%	102.74 %
12/31/15	0.00284049	46,157	418,234	11.04	98.20
12/31/16	0.00293016	24,151	432,438	5.58	99.12
12/31/17	0.00297484	(88,326)	443,847	(19.90)	102.93
12/31/18	0.00302524	107,628	475,402	22.64	96.45
12/31/19	0.00308468	(99,464)	507,458	(19.60)	102.96

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 28,440	\$ 28,440	\$ -	\$ 418,234	6.80 %
12/31/16	28,541	28,541	-	432,438	6.60
12/31/17	30,182	30,182	-	443,847	6.80
12/31/18	31,852	31,852	-	475,402	6.70
12/31/19	33,239	33,239	-	507,458	6.55
12/31/20	34,310	34,310	-	508,303	6.75

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

There were no changes of benefit terms or assumptions for any participating employer in the WRS.

The District is required to present the last 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

SUPPLEMENTARY INFORMATION

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – WATER UTILITY
DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019)**

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Investments:	\$ 517,708	\$ 430,262
Customer Accounts	158,712	155,554
Special Assessments	315,002	335,963
Other	12,539	2,155
Due from Other Governments	8,872	9,213
Inventories and Prepaid Items	22,378	12,982
Total Current Assets	1,035,211	946,129
NONCURRENT ASSETS		
Restricted Assets:		
Cash and Investments	166,420	254,387
OTHER ASSETS		
Special Assessments Receivable	1,145,338	1,383,970
Net Pension Asset	52,409	-
Total Other Assets	1,197,747	1,383,970
CAPITAL ASSETS		
Nondepreciable	276,609	220,575
Depreciable, Net	18,460,390	18,305,764
Total Capital Assets	18,736,999	18,526,339
 Total Assets	 21,136,377	 21,110,825
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Advance Refunding	22,844	29,598
Pension Related Amounts	121,427	151,627
Total Deferred Outflows of Resources	144,271	181,225
 Total Assets and Deferred Outflows of Resources	 \$ 21,280,648	 \$ 21,292,050

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – WATER UTILITY (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 70,018	\$ 9,019
Accrued Interest	77,862	82,361
Accrued and Other Current Liabilities	24,597	24,766
Special Deposits	1,000	1,000
Current Portion of Long-Term Obligations	1,245,959	1,211,417
Total Current Liabilities	1,419,436	1,328,563
LONG-TERM LIABILITIES, Less Current Portion		
General Obligation Debt	5,312,851	6,573,719
Advance from Sewer Utility	2,500,000	2,000,000
Compensated Absences	28,452	24,296
Net Pension Liability	-	55,537
Total Long-Term Liabilities	7,841,303	8,653,552
Total Liabilities	9,260,739	9,982,115
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	157,339	77,239
NET POSITION		
Net Investment in Capital Assets	12,153,986	10,770,801
Restricted	166,420	254,387
Unrestricted	(457,836)	207,508
Total Net Position	11,862,570	11,232,696
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,280,648	\$ 21,292,050

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – WATER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	2020	2019
OPERATING REVENUES		
Charges for Services	\$ 865,346	\$ 794,189
Other	169,828	169,136
Total Operating Revenues	1,035,174	963,325
OPERATING EXPENSES		
Operation and Maintenance	497,165	504,377
Depreciation	473,243	493,465
Taxes	19,991	20,837
Total Operating Expenses	990,399	1,018,679
OPERATING INCOME (LOSS)	44,775	(55,354)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	65,876	78,605
Net Interest Expense	(229,904)	(258,647)
Total Nonoperating Revenues (Expenses)	(164,028)	(180,042)
LOSS BEFORE CONTRIBUTIONS	(119,253)	(235,396)
Capital Contributions	749,127	268,318
CHANGE IN NET POSITION	629,874	32,922
Net Position - Beginning of Year	11,232,696	11,199,774
NET POSITION - END OF YEAR	\$ 11,862,570	\$ 11,232,696

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – WATER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,021,974	\$ 955,729
Cash Paid for Employee Wages and Benefits	(328,321)	(352,552)
Cash Paid to Suppliers	<u>(177,945)</u>	<u>(153,104)</u>
Net Cash Provided by Operating Activities	515,708	450,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advance from Sewer Utility	<u>500,000</u>	<u>500,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(160,130)	(44,628)
Capital Contributions	63,795	71,100
Special Assessments Received	457,835	506,705
Interest Received on Special Assessments	69,404	82,976
Principal Paid on Long-Term Debt	(1,211,416)	(1,125,222)
Interest Paid on Long-Term Debt	<u>(242,554)</u>	<u>(277,777)</u>
Net Cash Used by Capital and Related Financing Activities	(1,023,066)	(786,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>6,837</u>	<u>8,854</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(521)	172,081
Cash and Cash Equivalents - Beginning of Year	<u>684,649</u>	<u>512,568</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 684,128</u>	<u>\$ 684,649</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – WATER UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 44,775	\$ (55,354)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	473,243	493,465
Change in WRS Asset/Liability	(107,946)	100,442
Change in WRS Deferred Outflow	30,200	(68,764)
Change in WRS Deferred Inflow	80,100	(12,412)
Change in Operating Assets and Liabilities:		
Customer Accounts	(3,157)	(4,573)
Other	(10,384)	6,374
Due from Other Governments	341	(3,825)
Inventories and Prepaid Items	(9,403)	15,852
Accounts Payable	13,952	(13,492)
Accrued and Other Current Liabilities	(169)	1,923
Unearned Revenue	-	(5,573)
Compensated Absences	4,156	(3,990)
Net Cash Provided by Operating Activities	\$ 515,708	\$ 450,073
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 517,708	\$ 430,262
Cash and Cash Equivalents in Restricted Assets	166,420	254,387
Total Cash and Cash Equivalents	\$ 684,128	\$ 684,649
Noncash Capital and Related Financing Activities		
Capital Contributions	\$ 476,725	\$ -

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF WATER UTILITY PLANT IN SERVICE – WATER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
Source of Supply:				
Land and Land Rights	\$ 106,015	\$ -	\$ -	\$ 106,015
Wells and Springs	731,552	-	-	731,552
Total Collecting System	<u>837,567</u>	-	-	<u>837,567</u>
Pumping:				
Structures and Improvements	1,605,292	-	-	1,605,292
Electric Pumping Equipment	277,289	-	-	277,289
Total Collecting System Pumping	<u>1,882,581</u>	-	-	<u>1,882,581</u>
Water Treatment:				
Water Treatment Equipment	775,431	-	-	775,431
Transmission and Distribution:				
Land and Land Rights	77,988	-	-	77,988
Distribution Reservoirs and Standpipes	814,762	-	-	814,762
Transmission and Distribution Mains	11,822,762	280,250	-	12,103,012
Services	2,863,843	211,524	29,075	3,046,292
Meters	289,706	15,447	325	304,828
Hydrants	1,454,726	87,640	-	1,542,366
Total Transmission and Distribution	<u>17,323,787</u>	<u>594,861</u>	<u>29,400</u>	<u>17,889,248</u>
General:				
Structures and Improvements	3,545,834	840	-	3,546,674
Office Furniture and Equipment	54,104	968	2,705	52,367
Computer Equipment	27,328	12,164	4,572	34,920
Transportation Equipment	92,279	18,331	-	110,610
Tools, Shop, and Garage Equipment	30,756	-	-	30,756
Power-Operated Equipment	46,687	705	-	47,392
SCADA Equipment	274,213	-	-	274,213
Total General	<u>4,071,201</u>	<u>33,008</u>	<u>7,277</u>	<u>4,096,932</u>
 Total Water Utility Plant	 <u>\$ 24,890,567</u>	 <u>\$ 627,869</u>	 <u>\$ 36,677</u>	 <u>\$ 25,481,759</u>

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF WATER UTILITY OPERATING REVENUES AND EXPENSES – WATER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
OPERATING REVENUES		
Sales of Water:		
Unmetered	\$ -	\$ 53
Metered:		
Residential	620,897	558,786
Commercial	26,702	18,716
Industrial	7,416	7,387
Total Metered Sales	655,015	584,889
Private Fire Protection	3,024	2,628
Public Fire Protection	207,307	206,619
Total Sales of Water	865,346	794,189
Other Operating Revenues:		
Forfeited Discounts	753	1,560
Rent from Water Property	159,340	158,373
Other	9,735	9,203
Total Other Operating Revenues	169,828	169,136
Total Operating Revenues	1,035,174	963,325
OPERATING EXPENSES		
Operation and Maintenance:		
Source of Supply:		
Operation Supplies	149	160
Pumping:		
Fuel or Purchased Power for Pumping	17,224	14,380
Maintenance	1,020	928
Total Pumping	18,244	15,308
Water Treatment:		
Operation Labor	30,570	49,116
Chemicals	12,216	10,453
Operation Supplies	4,060	3,994
Maintenance	5,999	2,856
Total Water Treatment	52,845	66,419
Transmission and Distribution:		
Operation Labor	31,785	24,725
Operation Supplies	1,345	1,697
Maintenance:		
Reservoirs and Standpipes	6,675	893
Mains	700	973
Services	4,082	633
Hydrants	6,976	3,645
Total Transmission and Distribution	51,563	32,566

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF WATER UTILITY OPERATING REVENUES
AND EXPENSES – WATER UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	2020	2019
OPERATING EXPENSES (CONTINUED)		
Customer Accounts:		
Meter Reading Labor	\$ 2,234	\$ 2,621
Accounting and Collecting Labor	12,319	10,907
Supplies and Expenses	6,270	4,296
Total Customer Accounts	20,823	17,824
Administrative and General:		
Salaries	141,976	146,171
Office Supplies	18,642	17,107
Outside Services Employed	11,735	15,149
Property Insurance	3,330	3,171
Injuries and Damages	18,515	17,849
Employee Pensions and Benefits	76,763	86,506
Regulatory Commission	1,020	940
Maintenance	25,642	20,829
Transportation	11,585	9,527
Miscellaneous	44,333	54,851
Total Administrative and General	353,541	372,100
Depreciation	473,243	493,465
Taxes	19,991	20,837
Total Operating Expenses	990,399	1,018,679
OPERATING INCOME (LOSS)	\$ 44,775	\$ (55,354)

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – SEWER UTILITY
DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019)**

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Investments	\$ 4,563,209	\$ 4,596,784
Receivables:		
Customer Accounts	6,461	835
Special Assessments	25,254	27,343
Other	78,331	29,450
Due from Other Governments	1,294,490	1,289,760
Inventories and Prepaid Items	12,217	7,267
Total Current Assets	5,979,962	5,951,439
NONCURRENT ASSETS		
Restricted Assets:		
Cash and Investments	371,764	447,926
OTHER ASSETS		
Special Assessments Receivable	65,791	90,673
Advance to Water Utility	2,500,000	2,000,000
Assets Held for Future Use	2,113	2,113
Net Pension Asset	47,055	-
Total Other Assets	2,614,959	2,092,786
CAPITAL ASSETS		
Nondepreciable	250,673	244,413
Depreciable, Net	10,515,454	10,265,773
Total Capital Assets	10,766,127	10,510,186
 Total Assets	 19,732,812	 19,002,337
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Advance Refunding	15,679	20,314
Pension Related Amounts	110,212	141,092
Total Deferred Outflows of Resources	125,891	161,406
 Total Assets and Deferred Outflows of Resources	 \$ 19,858,703	 \$ 19,163,743

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – SEWER UTILITY (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019)**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 264,400	\$ 179,410
Accrued Interest	5,936	6,681
Accrued and Other Current Liabilities	30,420	28,945
Special Deposits	1,000	2,000
Unearned Revenue	1,084,456	1,038,816
Current Portion of Long-Term Obligations	91,575	89,540
Total Current Liabilities	1,477,787	1,345,392
LONG-TERM LIABILITIES, Less Current Portion		
General Obligation Debt	631,810	726,678
Compensated Absences	28,452	24,296
Net Pension Liability	-	52,091
Total Long-Term Liabilities	660,262	803,065
Total Liabilities	2,138,049	2,148,457
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	209,360	250,000
Pension Related Amounts	141,264	72,445
Total Deferred Inflows of Resources	350,624	322,445
NET POSITION		
Net Investment in Capital Assets	10,035,989	9,714,282
Restricted	371,764	447,926
Unrestricted	6,962,277	6,530,633
Total Net Position	17,370,030	16,692,841
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 19,858,703	\$ 19,163,743

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SEWER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
OPERATING REVENUES		
Charges for Services	\$ 1,274,148	\$ 1,201,705
Other	5,216	5,173
Total Operating Revenues	1,279,364	1,206,878
OPERATING EXPENSES		
Operation and Maintenance	1,005,386	974,636
Depreciation	439,515	473,669
Taxes	19,515	18,045
Total Operating Expenses	1,464,416	1,466,350
OPERATING LOSS	(185,052)	(259,472)
NONOPERATING REVENUES (EXPENSES)		
General Property Taxes	250,091	241,350
Interest Income	112,778	162,097
Net Interest Expense	(15,739)	(18,109)
Total Nonoperating Revenues (Expenses)	347,130	385,338
INCOME BEFORE CONTRIBUTIONS	162,078	125,866
Capital Contributions	515,111	90,183
CHANGE IN NET POSITION	677,189	216,049
Net Position - Beginning of Year	16,692,841	16,476,792
NET POSITION - END OF YEAR	\$ 17,370,030	\$ 16,692,841

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – SEWER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,273,006	\$ 1,207,683
Cash Paid for Employee Wages and Benefits	(321,991)	(316,153)
Cash Paid to Suppliers	<u>(639,117)</u>	<u>(567,726)</u>
Net Cash Provided by Operating Activities	311,898	323,804
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General Property Taxes	250,091	241,350
Advance to Water Utility	<u>(500,000)</u>	<u>(500,000)</u>
Net Cash Used by Noncapital Financing Activities	<u>(249,909)</u>	<u>(258,650)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(233,699)	(111,468)
Capital Contributions	19,865	86,333
Special Assessments Received	35,636	31,758
Interest received on Special Assessments	5,791	7,699
Principal Paid on Long-Term Debt	(89,540)	(89,540)
Interest Paid on Long-Term Debt	<u>(15,140)</u>	<u>(17,501)</u>
Net Cash Used by Capital and Related Financing Activities	(277,087)	(92,719)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>105,361</u>	<u>159,850</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(109,737)	132,285
Cash and Cash Equivalents - Beginning of Year	<u>5,044,710</u>	<u>4,912,425</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,934,973</u></u>	<u><u>\$ 5,044,710</u></u>

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – SEWER UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (185,052)	\$ (259,472)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	439,515	473,669
Change in WRS Asset/Liability	(99,146)	95,512
Change in WRS Deferred Outflow	30,880	(61,816)
Change in WRS Deferred Inflow	68,819	(14,243)
Change in Operating Assets and Liabilities:		
Customer Accounts	(5,627)	(298)
Other	-	841
Due from Other Governments	(4,730)	(66,748)
Inventories and Prepaid Items	(4,950)	16,117
Accounts Payable	62,558	77,660
Accrued and Other Current Liabilities	1,475	(438)
Customer Deposits	(1,000)	1,000
Unearned Revenue	5,000	66,010
Compensated Absences	4,156	(3,990)
Net Cash Provided by Operating Activities	\$ 311,898	\$ 323,804
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 4,563,209	\$ 4,596,784
Cash and Cash Equivalents in Restricted Assets	371,764	447,926
Total Cash and Cash Equivalents	\$ 4,934,973	\$ 5,044,710
Noncash Capital and Related Financing Activities		
Capital Contributions	\$ 439,323	\$ -

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF SEWER UTILITY PLANT IN SERVICE – SEWER UTILITY
YEAR ENDED DECEMBER 31, 2020**

	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
Collecting System:				
Land and Land Rights	\$ 220,841	\$ -	\$ -	\$ 220,841
Collecting Mains	619,280	-	-	619,280
Force Mains	588,252	-	-	588,252
Other Collecting Systems Equipment	16,030,886	446,615	462	16,477,039
Total Collecting System	<u>17,459,259</u>	<u>446,615</u>	<u>462</u>	<u>17,905,412</u>
Collecting System Pumping:				
Structures and Improvements	416,922	14,178	-	431,100
Electric Pumping Equipment	419,268	15,370	3,204	431,434
Other Power Pumping Equipment	583,277	144,977	-	728,254
Total Collecting System Pumping	<u>1,419,467</u>	<u>174,525</u>	<u>3,204</u>	<u>1,590,788</u>
Treatment and Disposal:				
Flow Metering and Monitoring Equipment	10,696	-	-	10,696
General:				
Structures and Improvements	5,945	8,740	-	14,685
Office Furniture and Equipment	29,398	968	2,705	27,661
Computer Equipment	14,136	6,064	4,572	15,628
Transportation Equipment	96,430	18,331	-	114,761
Communication Equipment	358,051	35,626	-	393,677
Other General Equipment	256,565	705	-	257,270
Total General	<u>760,525</u>	<u>70,434</u>	<u>7,277</u>	<u>823,682</u>
Total Sewer Utility Plant	<u>\$ 19,649,947</u>	<u>\$ 691,574</u>	<u>\$ 10,943</u>	<u>\$ 20,330,578</u>

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF SEWER UTILITY OPERATING REVENUES AND EXPENSES – SEWER UTILITY
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
OPERATING REVENUES		
Sewer Revenues:		
Flat Rate Service	\$ 1,274,148	\$ 1,201,705
Other Operating Revenues:		
Miscellaneous	5,216	5,173
Total Operating Revenues	1,279,364	1,206,878
OPERATING EXPENSES		
Operation and Maintenance:		
Operation:		
Sewer Treatment Charge	362,444	375,685
Utilities	25,840	27,417
Transportation	7,940	6,158
Other Operating Supplies	846	714
Total Operation	397,070	409,974
Maintenance:		
Collection System	35,331	7,881
Pumping Equipment	5,674	2,022
General Plant Structures and Equipment	15,751	10,392
Total Maintenance	56,756	20,295
Administrative and General:		
Salaries	253,455	246,189
Office Supplies	19,732	17,515
Outside Services Employed	13,794	13,905
Property Insurance	25,490	24,388
Employee Pensions and Benefits	74,172	84,588
Miscellaneous	12,117	4,982
Rents	152,800	152,800
Total Administrative and General	551,560	544,367
Total Operation and Maintenance	1,005,386	974,636
Depreciation	439,515	473,669
Taxes	19,515	18,045
Total Operating Expenses	1,464,416	1,466,350
OPERATING LOSS	\$ (185,052)	\$ (259,472)

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS**



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

Board of Commissioners
Town of Algoma Sanitary District #1
Towns of Algoma and Omro, Wisconsin

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 Town of Algoma Sanitary District #1, Towns of Algoma and Omro, Wisconsin (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 22, 2021.

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. Accordingly, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Board of Commissioners
Town of Algoma Sanitary District #1
Towns of Algoma and Omro, Wisconsin

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*.

Town of Algoma Sanitary District #1's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
March 22, 2021

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020**

Section I – Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2020-001	Segregation of Duties Repeat of Finding 2019-001
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	The District has a limited number of employees who essentially complete all financial and recordkeeping duties of the general District's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to properly segregate duties.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the District's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the District Commission continue to monitor the transactions and the financial records of the District.
Management Response:	Management believes that the cost of segregating cash receipts, cash disbursement, and billing duties from the related recording functions outweighs the benefits to be received.

Section II – Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2020.