

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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**TOWN OF ALGOMA SANITARY DISTRICT #1
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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the water utility and sewer utility of the Town of Algoma Sanitary District #1 of the Towns of Algoma and Omro, Wisconsin (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the water utility and sewer utility of the Town of Algoma Sanitary District #1 as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Algoma Sanitary District #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Algoma Sanitary District #1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified opinions on the financial statements of the District in our report dated March 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 related to pensions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit for the year ended December 31, 2021, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Algoma Sanitary District #1's basic financial statements for the year ended December 31, 2021. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed in the table of contents listed as supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2021.

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

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 #1 as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated March 22, 2021, which contained unmodified opinions on the financial statements. The information listed in the table of contents as supplementary information for the year ended December 31, 2020 is presented for purposes of additional analysis and is 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 2020 financial statements. The information was subjected to the auditing procedures applied in the audit of the 2020 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 information listed in the table of contents as supplementary information for the year ended December 31, 2020 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, on our consideration of the Town of Algoma Sanitary District #1'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 Town of Algoma Sanitary District #1'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 Town of Algoma Sanitary District #1's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 12, 2022

FINANCIAL STATEMENTS

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	Water	Sewer	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Investments:	\$ 1,612,375	\$ 3,189,655	\$ 4,802,030	\$ 5,080,917
Receivables:				
Customer Accounts	161,114	2,884	163,998	165,173
Special Assessments	285,553	12,337	297,890	340,256
Other	81	55,114	55,195	90,870
Due from Other Governments	8,612	1,401,368	1,409,980	1,303,362
Inventories and Prepaid Items	37,755	8,145	45,900	34,595
Total Current Assets	<u>2,105,490</u>	<u>4,669,503</u>	<u>6,774,993</u>	<u>7,015,173</u>
NONCURRENT ASSETS				
Restricted Assets:				
Cash and Investments	347,979	369,660	717,639	538,184
OTHER ASSETS				
Special Assessments Receivable	828,652	53,517	882,169	1,211,129
Assets Held for Future Use	-	2,113	2,113	2,113
Advance to Water Utility	-	4,500,000	4,500,000	2,500,000
Net Pension Asset	100,897	92,684	193,581	99,464
Total Other Assets	<u>929,549</u>	<u>4,648,314</u>	<u>5,577,863</u>	<u>3,812,706</u>
CAPITAL ASSETS				
Nondepreciable	197,003	220,841	417,844	527,282
Depreciable, Net	18,701,238	10,504,288	29,205,526	28,975,844
Total Capital Assets	<u>18,898,241</u>	<u>10,725,129</u>	<u>29,623,370</u>	<u>29,503,126</u>
Total Assets	22,281,259	20,412,606	42,693,865	40,869,189
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Advance Refunding	16,948	11,632	28,580	38,523
Pension Related Amounts	165,874	152,259	318,133	231,639
Total Deferred Outflows of Resources	<u>182,822</u>	<u>163,891</u>	<u>346,713</u>	<u>270,162</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 22,464,081</u>	<u>\$ 20,576,497</u>	<u>\$ 43,040,578</u>	<u>\$ 41,139,351</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Water	Sewer	Totals	
			2021	2020
CURRENT LIABILITIES				
Accounts Payable	\$ 43,510	\$ 318,257	\$ 361,767	\$ 334,418
Accrued Interest	88,750	5,172	93,922	83,798
Accrued and Other Current Liabilities	27,206	32,856	60,062	55,017
Special Deposits	1,000	2,300	3,300	2,000
Unearned Revenue	-	1,186,788	1,186,788	1,084,456
Current Portion of Long-Term Obligations	1,274,695	93,341	1,368,036	1,337,534
Total Current Liabilities	<u>1,435,161</u>	<u>1,638,714</u>	<u>3,073,875</u>	<u>2,897,223</u>
LONG-TERM LIABILITIES, Less Current Portion				
General Obligation Debt	4,026,947	537,361	4,564,308	5,944,661
Advance from Sewer Utility	4,500,000	-	4,500,000	2,500,000
Compensated Absences	30,761	30,761	61,522	56,904
Total Long-Term Liabilities	<u>8,557,708</u>	<u>568,122</u>	<u>9,125,830</u>	<u>8,501,565</u>
Total Liabilities	9,992,869	2,206,836	12,199,705	11,398,788
DEFERRED INFLOWS OF RESOURCES				
Special Charges on Subsequent Year Tax Roll	-	214,190	214,190	209,360
Pension Related Amounts	221,292	203,280	424,572	298,603
Total Deferred Inflows of Resources	<u>221,292</u>	<u>417,470</u>	<u>638,762</u>	<u>507,963</u>
NET POSITION				
Net Investment in Capital Assets	13,615,313	10,107,825	23,723,138	22,189,975
Restricted				
Future Debt Payments	347,979	369,660	717,639	538,184
Pension	100,897	92,684	193,581	99,464
Unrestricted	(1,814,269)	7,382,022	5,567,753	6,404,977
Total Net Position	<u>12,249,920</u>	<u>17,952,191</u>	<u>30,202,111</u>	<u>29,232,600</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 22,464,081</u>	<u>\$ 20,576,497</u>	<u>\$ 43,040,578</u>	<u>\$ 41,139,351</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Water	Sewer	Totals	
			2021	2020
OPERATING REVENUES				
Charges for Services	\$ 865,639	\$ 1,339,085	\$ 2,204,724	\$ 2,139,494
Other	175,608	8,152	183,760	175,044
Total Operating Revenues	<u>1,041,247</u>	<u>1,347,237</u>	<u>2,388,484</u>	<u>2,314,538</u>
OPERATING EXPENSES				
Operation and Maintenance	483,724	1,092,250	1,575,974	1,502,551
Depreciation	503,626	499,578	1,003,204	912,758
Taxes	19,928	18,333	38,261	39,506
Total Operating Expenses	<u>1,007,278</u>	<u>1,610,161</u>	<u>2,617,439</u>	<u>2,454,815</u>
OPERATING INCOME (LOSS)	33,969	(262,924)	(228,955)	(140,277)
NONOPERATING REVENUES (EXPENSES)				
General Property Taxes	-	209,360	209,360	250,091
Interest Income	59,688	105,787	165,475	178,654
Other Nonoperating Revenues	-	46,801	46,801	-
Net Interest Expense	(219,928)	(13,738)	(233,666)	(245,643)
Total Nonoperating Revenues (Expenses)	<u>(160,240)</u>	<u>348,210</u>	<u>187,970</u>	<u>183,102</u>
LOSS BEFORE CONTRIBUTIONS	(126,271)	85,286	(40,985)	42,825
Capital Contributions	<u>513,621</u>	<u>496,875</u>	<u>1,010,496</u>	<u>1,264,238</u>
CHANGE IN NET POSITION	387,350	582,161	969,511	1,307,063
Net Position - Beginning of Year	<u>11,862,570</u>	<u>17,370,030</u>	<u>29,232,600</u>	<u>27,925,537</u>
NET POSITION - END OF YEAR	<u>\$ 12,249,920</u>	<u>\$ 17,952,191</u>	<u>\$ 30,202,111</u>	<u>\$ 29,232,600</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Water	Sewer	Totals	
			2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,041,126	\$ 1,351,000	\$ 2,392,126	\$ 2,294,980
Cash Paid for Employee Wages and Benefits	(323,903)	(303,051)	(626,954)	(650,312)
Cash Paid to Suppliers	(243,934)	(768,752)	(1,012,686)	(817,062)
Net Cash Provided by Operating Activities	<u>473,289</u>	<u>279,197</u>	<u>752,486</u>	<u>827,606</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
General Property Taxes	-	209,360	209,360	250,091
Other Nonoperating Revenues	-	46,801	46,801	-
Advance from Sewer Utility	2,000,000	(2,000,000)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,000,000</u>	<u>(1,743,839)</u>	<u>256,161</u>	<u>250,091</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(451,791)	(77,730)	(529,521)	(393,829)
Capital Contributions	93,084	81,050	174,134	83,660
Special Assessments Received	546,289	101,721	648,010	493,471
Interest Received on Special Assessments	59,504	4,366	63,870	75,195
Principal Paid on Long-Term Debt	(1,245,959)	(91,575)	(1,337,534)	(1,300,956)
Interest Paid on Long-Term Debt	(216,118)	(13,329)	(229,447)	(257,694)
Net Cash Used by Capital and Related Financing Activities	<u>(1,214,991)</u>	<u>4,503</u>	<u>(1,210,488)</u>	<u>(1,300,153)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	<u>17,928</u>	<u>84,481</u>	<u>102,409</u>	<u>112,198</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,276,226	(1,375,658)	(99,432)	(110,258)
Cash and Cash Equivalents - Beginning of Year	<u>684,128</u>	<u>4,934,973</u>	<u>5,619,101</u>	<u>5,729,359</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,960,354</u>	<u>\$ 3,559,315</u>	<u>\$ 5,519,669</u>	<u>\$ 5,619,101</u>

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Water	Sewer	Totals	
			2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 33,969	\$ (262,924)	\$ (228,955)	\$ (140,277)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	503,626	499,578	1,003,204	912,758
Change in WRS Asset/Liability	(48,488)	(45,629)	(94,117)	(207,092)
Change in WRS Deferred Outflow	(44,447)	(42,047)	(86,494)	61,080
Change in WRS Deferred Inflow	63,953	62,016	125,969	148,919
Change in Operating Assets and Liabilities:				
Customer Accounts	(2,402)	(1,032)	(3,434)	(8,784)
Other	2,019	-	2,019	(10,384)
Due from Other Governments	260	(103,667)	(103,407)	(4,389)
Inventories and Prepaid Items	(15,377)	4,072	(11,305)	(14,353)
Accounts Payable	(26,508)	53,857	27,349	76,510
Accrued and Other Current Liabilities	2,609	2,436	5,045	1,306
Customer Deposits	-	1,300	1,300	(1,000)
Unearned Revenue	-	107,162	107,162	5,000
Compensated Absences	4,075	4,075	8,150	8,312
	<u>\$ 473,289</u>	<u>\$ 279,197</u>	<u>\$ 752,486</u>	<u>\$ 827,606</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Cash Equivalents in Current Assets	\$ 1,612,375	\$ 3,189,655	\$ 4,802,030	\$ 5,080,917
Cash and Cash Equivalents in Restricted Assets	347,979	369,660	717,639	538,184
Total Cash and Cash Equivalents	<u>\$ 1,960,354</u>	<u>\$ 3,559,315</u>	<u>\$ 5,519,669</u>	<u>\$ 5,619,101</u>
Noncash Capital and Related Financing Activities				
Capital Contributions	\$ 213,076	\$ 380,850	\$ 593,926	\$ 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, 2021**

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, 2021**

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.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

There were \$4,868,756 of anticipated future assessments for water and \$246,321 of anticipated future assessments for sewer as of December 31, 2021, 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 \$471,199 of new future special assessments. Interest added to future special assessments was \$45,666 in 2021. The sewer utility has \$87,516 of new future special assessments and interest added to future special assessments of \$3,210 in 2021.

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.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, 2021**

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 (revenue), 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, 2021**

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. Summarized Financial Information

Summarized comparative totals 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, 2020, 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, 2021**

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 \$5,519,669 on December 31, 2021 as summarized below:

Petty Cash and Cash on Hand	\$	400
Deposits with Financial Institutions		5,188,958
Investments:		
Wisconsin Local Government Investment Pool		330,311
Total		\$ 5,519,669

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:

Water Utility:		
Cash and Investments	\$	1,612,375
Restricted Cash and Investments		347,979
Subtotal - Water Utility		1,960,354
Sewer Utility:		
Cash and Investments		3,189,655
Restricted Cash and Investments		369,660
Subtotal - Sewer Utility		3,559,315
Total		\$ 5,519,669

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.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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, 2021, \$3,232,510 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.

The District has investments in the Wisconsin Local Government Investment Pool of \$330,311 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, 2021, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk (Continued)

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. As of December 31, 2021 the Wisconsin Local Government investment pool had a weighted average maturity of 74 days.

B. Restricted Assets

Restricted assets on December 31, 2021 totaled \$717,639 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	\$ 347,979	To account for resources accumulated for debt service payments.
Sewer Utility:		
Redemption	<u>369,660</u>	To account for resources accumulated for debt service payments.
Total	<u>\$ 717,639</u>	

C. Due from Other Governments

Due from other governments between the water and sewer utilities as of December 31, 2021 are detailed below:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
Water Utility	Municipalities	\$ 8,612	Delinquent Accounts Placed on Tax Bill
Sewer Utility	Municipalities	1,186,105	Sanitary User Fees
Sewer Utility	Municipalities	644	Delinquent Accounts Placed on Tax Bill
Sewer Utility	Municipalities	<u>214,619</u>	Tax Levy
Subtotal		<u>1,401,368</u>	
Total Due from Other Governments		<u>\$ 1,409,980</u>	

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

The following is a summary of changes in water utility capital assets for the year ended December 31, 2021:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Water Utility:				
Capital Assets, Nondepreciable:				
Land	\$ 184,003	\$ -	\$ -	\$ 184,003
Construction in Progress	92,606	-	79,606	13,000
Total Capital Assets, Nondepreciable	276,609	-	79,606	197,003
Capital Assets, Depreciable:				
Source of Supply	731,552	-	-	731,552
Pumping	1,882,581	22,238	-	1,904,819
Water Treatment	775,431	-	22,238	753,193
Transmission and Distribution	17,811,260	728,383	59,149	18,480,494
General	4,096,932	16,090	-	4,113,022
Subtotals	25,297,756	766,711	81,387	25,983,080
Less: Accumulated Depreciation	6,837,366	503,626	59,150	7,281,842
Total Capital Assets, Depreciable, Net	18,460,390	263,085	22,237	18,701,238
Capital Assets, Net	\$ 18,736,999	\$ 263,085	\$ 101,843	18,898,241
Less: Capital Related Debt				5,261,040
Less: Debt Premium				38,836
Add: Loss on Advance Refunding				16,948
Net Investment in Capital Assets				\$ 13,615,313

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Beginning Balance	Additions	Retirements	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-Type Activities:				
Sewer Utility:				
Capital Assets, Nondepreciable:				
Land	\$ 220,841	\$ -	\$ -	\$ 220,841
Construction in Progress	29,832	-	29,832	-
Total Capital Assets, Nondepreciable	250,673	-	29,832	220,841
Capital Assets, Depreciable:				
Collecting System	17,684,571	410,900	1,750	18,093,721
Collecting System Pumping	1,590,788	11,865	3,924	1,598,729
Treatment and Disposal	10,696	-	-	10,696
General	823,682	65,647	-	889,329
Subtotals	<u>20,109,737</u>	<u>488,412</u>	<u>5,674</u>	<u>20,592,475</u>
Less: Accumulated Depreciation	<u>9,594,283</u>	<u>499,578</u>	<u>5,674</u>	<u>10,088,187</u>
Total Capital Assets, Depreciable, Net	<u>10,515,454</u>	<u>(11,166)</u>	<u>-</u>	<u>10,504,288</u>
Capital Assets, Net	<u>\$ 10,766,127</u>	<u>\$ (11,166)</u>	<u>\$ 29,832</u>	10,725,129
Less: Capital Related Debt				620,675
Less: Debt Premium				8,261
Add: Loss on Advance Refunding				11,632
Net Investment in Capital Assets				<u>\$ 10,107,825</u>

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

Water Utility	\$ 503,626
Sewer Utility	499,578
Total Depreciation Expense	<u>\$ 1,003,204</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Advance from Sewer Utility to Water Utility

Advance from sewer utility to water utility at December 31, 2021 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%	500,000
\$2,000,000 advanced on 3/31/2021; interest payment of \$26,000 due annually through 2031; principal due in 2031, interest rate of 1.30%	2,000,000
Total	<u>\$ 4,500,000</u>

Annual principal and interest are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 53,000	\$ 53,000
2023	-	53,000	53,000
2024	-	53,000	53,000
2025	-	53,000	53,000
2026	-	53,000	53,000
2027-2031	4,500,000	178,000	4,678,000
Total	<u>\$ 4,500,000</u>	<u>\$ 443,000</u>	<u>\$ 4,943,000</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, 2021:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Debt:					
Bonds	\$ 3,847,751	\$ -	\$ 528,426	\$ 3,319,325	\$ 538,425
Notes from Direct Borrowings	2,659,249	-	717,534	1,941,715	734,504
Total General Obligation Debt	6,507,000	-	1,245,960	5,261,040	1,272,929
Debt Premium	51,810	-	12,974	38,836	-
Compensated Absences	28,452	4,958	883	32,527	1,766
Long-Term Obligations	<u>\$ 6,587,262</u>	<u>\$ 4,958</u>	<u>\$ 1,259,817</u>	<u>\$ 5,332,403</u>	<u>\$ 1,274,695</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

The water utility's outstanding notes from direct borrowings of \$1,941,715 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 \$216,118.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21
Notes from Direct Borrowing	4/14/04	5/1/23	2.37 %	\$ 7,154,843	\$ 912,228
Notes from Direct Borrowing	4/13/05	5/1/24	2.37	2,215,742	418,914
Notes from Direct Borrowing	4/12/06	5/1/25	2.37	2,449,342	610,573
General Obligation Bonds	2/2/11	4/1/26	2.00 - 4.05	2,550,000	1,290,000
General Obligation Bonds	4/1/15	3/1/28	2.13 - 3.00	2,265,000	1,125,000
General Obligation Bonds	6/2/16	2/1/28	2.00	1,381,690	904,325
Total Outstanding General Obligation Debt					<u>\$ 5,261,040</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$5,261,040 on December 31, 2021 are detailed below:

Year Ended December 31,	Bonded Debt		Notes from: Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	94,887
2024	561,390	58,579	297,299	7,253	858,689	65,832
2025	587,320	41,034	158,036	1,869	745,356	42,902
2026	565,285	22,440	-	-	565,285	22,440
2027 - 2028	513,479	12,617	-	-	513,479	12,617
Total	<u>\$ 3,319,325</u>	<u>\$ 301,721</u>	<u>\$ 1,941,715</u>	<u>\$ 66,018</u>	<u>\$ 5,261,040</u>	<u>\$ 367,738</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

The following is a summary of changes in long-term obligations for the sewer utility for the year ended December 31, 2021:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Bonds:	\$ 712,250	\$ -	\$ 91,575	\$ 620,675	\$ 91,575
Debt Premium	11,135	-	2,874	8,261	-
Compensated Absences	28,452	4,958	883	32,527	1,766
Long-Term Obligations	<u>\$ 751,837</u>	<u>\$ 4,958</u>	<u>\$ 95,332</u>	<u>\$ 661,463</u>	<u>\$ 93,341</u>

Total interest paid on long-term debt totaled \$13,329.

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>\$ 620,675</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$620,675 on December 31, 2021 are detailed below:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 91,575	\$ 11,498
2023	91,575	9,666
2024	93,610	7,814
2025	97,680	5,902
2026	99,715	3,928
2027-2028	146,520	2,483
Total	<u>\$ 620,675</u>	<u>\$ 41,290</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation on December 31, 2021 was \$38,098,763 as follows:

Equalized Valuation of the District	\$ 879,609,557
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	43,980,478
Net Outstanding General Obligation Debt Applicable to Debt Limitation	<u>5,881,715</u>
Legal Margin for New Debt	<u>\$ 38,098,763</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (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, 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 Annual Comprehensive (ACFR) Financial Report, which can be found at <http://etf.wi.gov/publications/cafr.htm>

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 occupations 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (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>
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	-10.0%
2020	1.7%	21.0%

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, 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, 2021, the WRS recognized \$33,037 in contributions from the District.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (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)	6.75 %	6.75 %
Protective with Social Security	6.75	11.75
Protective without Social Security	6.75	16.35

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

At December 31, 2021, the District reported an asset of \$193,581 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the District's proportion was 0.00310071%, which was an increase of 0.00001603% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the District recognized pension revenue of \$21,549.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

At December 31, 2021, 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	\$ 146,027	\$ 31,454	\$ 134,141	\$ 28,894
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	189,426	-	174,007
Changes in Assumptions	2,288	-	2,102	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	280	413	258	379
Employer Contributions Subsequent to the Measurement Date	17,279	-	15,758	-
Total	<u>\$ 165,874</u>	<u>\$ 221,293</u>	<u>\$ 152,259</u>	<u>\$ 203,280</u>

\$33,037 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>
2022	\$ (18,736)	\$ (17,211)
2023	(5,048)	(4,638)
2024	(34,329)	(31,534)
2025	(14,585)	(13,396)
Total	<u>\$ (72,698)</u>	<u>\$ (66,779)</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2020
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, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (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	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2%	0.8%
Inflation Sensitive Assets	16.0	2.0%	-0.4%
Real Estate	8.0	5.6%	3.1%
Private Equity/Debt	11.0	10.2%	7.6%
Multi-Asset	4.0	5.8%	3.3%
Cash	-15.0	0.9%	N/A
Total Core Fund	<u>100.0%</u>	6.6%	4.1%
Variable Fund Asset Class:			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0	7.4%	4.9%
Total Variable Fund	<u>100.0%</u>	7.1%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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 2.00% (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, 2020. 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (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)	\$ 96,040	\$ (100,897)	\$ (245,546)
Sewer Utility's Proportionate Share of the Net Pension Liability (Asset)	88,222	(92,684)	(225,559)
Total	<u>\$ 184,262</u>	<u>\$ (193,581)</u>	<u>\$ (471,105)</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, 2021, the District reported a payable of \$11,518 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2021.

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 plant 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 \$203,393 in 2021.

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 \$116,155 in 2021.

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

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

<u>Measurement Period Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
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
12/31/20	0.00310007	(193,581)	508,302	38.08	105.26

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal Year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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	-	508,302	6.75
12/31/21	33,037	33,037	-	489,440	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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Investments:	\$ 1,612,375	\$ 517,708
Receivables:		
Customer Accounts	161,114	158,712
Special Assessments	285,553	315,002
Other	81	12,539
Due from Other Governments	8,612	8,872
Inventories and Prepaid Items	37,755	22,378
Total Current Assets	2,105,490	1,035,211
NONCURRENT ASSETS		
Restricted Assets:		
Cash and Investments	347,979	166,420
OTHER ASSETS		
Special Assessments Receivable	828,652	1,145,338
Net Pension Asset	100,897	52,409
Total Other Assets	929,549	1,197,747
CAPITAL ASSETS		
Nondepreciable	197,003	276,609
Depreciable, Net	18,701,238	18,460,390
Total Capital Assets	18,898,241	18,736,999
 Total Assets	 22,281,259	 21,136,377
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Advance Refunding	16,948	22,844
Pension Related Amounts	165,874	121,427
Total Deferred Outflows of Resources	182,822	144,271
 Total Assets and Deferred Outflows of Resources	 \$ 22,464,081	 \$ 21,280,648

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – WATER UTILITY (CONTINUED)
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 43,510	\$ 70,018
Accrued Interest	88,750	77,862
Accrued and Other Current Liabilities	27,206	24,597
Special Deposits	1,000	1,000
Current Portion of Long-Term Obligations	1,274,695	1,245,959
Total Current Liabilities	1,435,161	1,419,436
LONG-TERM LIABILITIES, Less Current Portion		
General Obligation Debt	4,026,947	5,312,851
Advance from Sewer Utility	4,500,000	2,500,000
Compensated Absences	30,761	28,452
Total Long-Term Liabilities	8,557,708	7,841,303
Total Liabilities	9,992,869	9,260,739
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	221,292	157,339
NET POSITION		
Net Investment in Capital Assets	13,615,313	12,153,986
Restricted		
Future Debt Payments	347,979	166,420
Pension	100,897	52,409
Unrestricted	(1,814,269)	(510,245)
Total Net Position	12,249,920	11,862,570
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 22,464,081	\$ 21,280,648

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
OPERATING REVENUES		
Charges for Services	\$ 865,639	\$ 865,346
Other	175,608	169,828
Total Operating Revenues	1,041,247	1,035,174
OPERATING EXPENSES		
Operation and Maintenance	483,724	497,165
Depreciation	503,626	473,243
Taxes	19,928	19,991
Total Operating Expenses	1,007,278	990,399
OPERATING INCOME	33,969	44,775
NONOPERATING REVENUES (EXPENSES)		
Interest Income	59,688	65,876
Net Interest Expense	(219,928)	(229,904)
Total Nonoperating Revenues (Expenses)	(160,240)	(164,028)
LOSS BEFORE CONTRIBUTIONS	(126,271)	(119,253)
Capital Contributions	513,621	749,127
CHANGE IN NET POSITION	387,350	629,874
Net Position - Beginning of Year	11,862,570	11,232,696
NET POSITION - END OF YEAR	\$ 12,249,920	\$ 11,862,570

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – WATER UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,041,126	\$ 1,021,974
Cash Paid for Employee Wages and Benefits	(323,903)	(328,321)
Cash Paid to Suppliers	(243,934)	(177,945)
Net Cash Provided by Operating Activities	<u>473,289</u>	<u>515,708</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advance from Sewer Utility	2,000,000	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(451,791)	(160,130)
Capital Contributions	93,084	63,795
Special Assessments Received	546,289	457,835
Interest Received on Special Assessments	59,504	69,404
Principal Paid on Long-Term Debt	(1,245,959)	(1,211,416)
Interest Paid on Long-Term Debt	(216,118)	(242,554)
Net Cash Used by Capital and Related Financing Activities	<u>(1,214,991)</u>	<u>(1,023,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>17,928</u>	<u>6,837</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,276,226	(521)
Cash and Cash Equivalents - Beginning of Year	<u>684,128</u>	<u>684,649</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,960,354</u></u>	<u><u>\$ 684,128</u></u>

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – WATER UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 33,969	\$ 44,775
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	503,626	473,243
Change in WRS Asset/Liability	(48,488)	(107,946)
Change in WRS Deferred Outflow	(44,447)	30,200
Change in WRS Deferred Inflow	63,953	80,100
Change in Operating Assets and Liabilities:		
Customer Accounts	(2,402)	(3,157)
Other	2,019	(10,384)
Due from Other Governments	260	341
Inventories and Prepaid Items	(15,377)	(9,403)
Accounts Payable	(26,508)	13,952
Accrued and Other Current Liabilities	2,609	(169)
Compensated Absences	4,075	4,156
Net Cash Provided by Operating Activities	\$ 473,289	\$ 515,708
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 1,612,375	\$ 517,708
Cash and Cash Equivalents in Restricted Assets	347,979	166,420
Total Cash and Cash Equivalents	\$ 1,960,354	\$ 684,128
Noncash Capital and Related Financing Activities		
Capital Contributions	\$ 213,076	\$ 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, 2021**

	Balance 1/1/2021	Additions	Retirements	Balance 12/31/2021
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	22,238	-	1,627,530
Electric Pumping Equipment	277,289	-	-	277,289
Total Collecting System Pumping	<u>1,882,581</u>	<u>22,238</u>	-	<u>1,904,819</u>
Water Treatment:				
Water Treatment Equipment	775,431	-	22,238	753,193
Transmission and Distribution:				
Land and Land Rights	77,988	-	-	77,988
Distribution Reservoirs and Standpipes	814,762	-	-	814,762
Transmission and Distribution Mains	12,103,012	353,836	13,741	12,443,107
Services	3,046,292	270,537	20,457	3,296,371
Meters	304,828	25,557	823	329,562
Hydrants	1,542,366	78,451	24,128	1,596,689
Total Transmission and Distribution	<u>17,889,248</u>	<u>728,380</u>	<u>59,149</u>	<u>18,558,479</u>
General:				
Structures and Improvements	3,546,674	-	-	3,546,674
Office Furniture and Equipment	52,367	6,066	-	58,433
Computer Equipment	34,920	-	-	34,920
Transportation Equipment	110,610	1,198	-	111,808
Tools, Shop, and Garage Equipment	30,756	3,595	-	34,351
Power-Operated Equipment	47,392	5,231	-	52,623
SCADA Equipment	274,213	-	-	274,213
Total General	<u>4,096,932</u>	<u>16,090</u>	-	<u>4,113,022</u>
Total Water Utility Plant	<u>\$ 25,481,759</u>	<u>\$ 766,708</u>	<u>\$ 81,387</u>	<u>\$ 26,167,080</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	2021	2020
OPERATING REVENUES		
Sales of Water:		
Metered:		
Residential	\$ 620,164	\$ 620,897
Commercial	25,515	26,702
Industrial	8,449	7,416
Total Metered Sales	654,128	655,015
Private Fire Protection	3,024	3,024
Public Fire Protection	208,487	207,307
Total Sales of Water	865,639	865,346
Other Operating Revenues:		
Forfeited Discounts	1,614	753
Rent from Water Property	159,520	159,340
Other	14,474	9,735
Total Other Operating Revenues	175,608	169,828
Total Operating Revenues	1,041,247	1,035,174
OPERATING EXPENSES		
Operation and Maintenance:		
Source of Supply:		
Operation Supplies	169	149
Pumping:		
Fuel or Purchased Power for Pumping	17,293	17,224
Maintenance	-	1,020
Total Pumping	17,293	18,244
Water Treatment:		
Operation Labor	30,876	30,570
Chemicals	8,578	12,216
Operation Supplies	2,798	4,060
Maintenance	1,226	5,999
Total Water Treatment	43,478	52,845
Transmission and Distribution:		
Operation Labor	26,016	31,785
Operation Supplies	1,180	1,345
Maintenance:		
Reservoirs and Standpipes	3,742	6,675
Mains	5,159	700
Services	17,770	4,082
Hydrants	11,356	6,976
Total Transmission and Distribution	65,223	51,563

**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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	2021	2020
OPERATING EXPENSES (CONTINUED)		
Customer Accounts:		
Meter Reading Labor	\$ 1,500	\$ 2,234
Accounting and Collecting Labor	10,483	12,319
Supplies and Expenses	6,032	6,270
Total Customer Accounts	18,015	20,823
Administrative and General:		
Salaries	145,655	141,976
Office Supplies	18,514	18,642
Outside Services Employed	23,785	11,735
Property Insurance	3,868	3,330
Injuries and Damages	19,930	18,515
Employee Pensions and Benefits	45,975	76,763
Regulatory Commission	1,214	1,020
Maintenance	23,812	25,642
Transportation	10,783	11,585
Miscellaneous	46,010	44,333
Total Administrative and General	339,546	353,541
Depreciation	503,626	473,243
Taxes	19,928	19,991
Total Operating Expenses	1,007,278	990,399
OPERATING INCOME	\$ 33,969	\$ 44,775

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – SEWER UTILITY
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
CURRENT ASSETS		
Cash and Investments	\$ 3,189,655	\$ 4,563,209
Receivables:		
Customer Accounts	2,884	6,461
Special Assessments	12,337	25,254
Other	55,114	78,331
Due from Other Governments	1,401,368	1,294,490
Inventories and Prepaid Items	8,145	12,217
Total Current Assets	4,669,503	5,979,962
NONCURRENT ASSETS		
Restricted Assets:		
Cash and Investments	369,660	371,764
OTHER ASSETS		
Special Assessments Receivable	53,517	65,791
Advance to Water Utility	4,500,000	2,500,000
Assets Held for Future Use	2,113	2,113
Net Pension Asset	92,684	47,055
Total Other Assets	4,648,314	2,614,959
CAPITAL ASSETS		
Nondepreciable	220,841	250,673
Depreciable, Net	10,504,288	10,515,454
Total Capital Assets	10,725,129	10,766,127
 Total Assets	 20,412,606	 19,732,812
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Advance Refunding	11,632	15,679
Pension Related Amounts	152,259	110,212
Total Deferred Outflows of Resources	163,891	125,891
 Total Assets and Deferred Outflows of Resources	 \$ 20,576,497	 \$ 19,858,703

TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF NET POSITION – SEWER UTILITY (CONTINUED)
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 318,257	\$ 264,400
Accrued Interest	5,172	5,936
Accrued and Other Current Liabilities	32,856	30,420
Special Deposits	2,300	1,000
Unearned Revenue	1,186,788	1,084,456
Current Portion of Long-Term Obligations	93,341	91,575
Total Current Liabilities	1,638,714	1,477,787
LONG-TERM LIABILITIES, Less Current Portion		
General Obligation Debt	537,361	631,810
Compensated Absences	30,761	28,452
Total Long-Term Liabilities	568,122	660,262
Total Liabilities	2,206,836	2,138,049
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	214,190	209,360
Pension Related Amounts	203,280	141,264
Total Deferred Inflows of Resources	417,470	350,624
NET POSITION		
Net Investment in Capital Assets	10,107,825	10,035,989
Restricted		
Future Debt Payments	369,660	371,764
Pension	92,684	47,055
Unrestricted	7,382,022	6,915,222
Total Net Position	17,952,191	17,370,030
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 20,576,497	\$ 19,858,703

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
OPERATING REVENUES		
Charges for Services	\$ 1,339,085	\$ 1,274,148
Other	8,152	5,216
Total Operating Revenues	1,347,237	1,279,364
OPERATING EXPENSES		
Operation and Maintenance	1,092,250	1,005,386
Depreciation	499,578	439,515
Taxes	18,333	19,515
Total Operating Expenses	1,610,161	1,464,416
OPERATING LOSS	(262,924)	(185,052)
NONOPERATING REVENUES (EXPENSES)		
General Property Taxes	209,360	250,091
Interest Income	105,787	112,778
Net Interest Expense	(13,738)	(15,739)
Other Nonoperating Revenues	46,801	-
Total Nonoperating Revenues (Expenses)	348,210	347,130
INCOME BEFORE CONTRIBUTIONS	85,286	162,078
Capital Contributions	496,875	515,111
CHANGE IN NET POSITION	582,161	677,189
Net Position - Beginning of Year	17,370,030	16,692,841
NET POSITION - END OF YEAR	\$ 17,952,191	\$ 17,370,030

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
STATEMENT OF CASH FLOWS – SEWER UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,351,000	\$ 1,273,006
Cash Paid for Employee Wages and Benefits	(303,051)	(321,991)
Cash Paid to Suppliers	<u>(768,752)</u>	<u>(639,117)</u>
Net Cash Provided by Operating Activities	279,197	311,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General Property Taxes	209,360	250,091
Other nonoperating revenues	46,801	-
Advance to Water Utility	<u>(2,000,000)</u>	<u>(500,000)</u>
Net Cash Used by Noncapital Financing Activities	(1,743,839)	(249,909)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(77,730)	(233,699)
Capital Contributions	81,050	19,865
Special Assessments Received	101,721	35,636
Interest received on Special Assessments	4,366	5,791
Principal Paid on Long-Term Debt	(91,575)	(89,540)
Interest Paid on Long-Term Debt	<u>(13,329)</u>	<u>(15,140)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	4,503	(277,087)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>84,481</u>	<u>105,361</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,375,658)	(109,737)
Cash and Cash Equivalents - Beginning of Year	<u>4,934,973</u>	<u>5,044,710</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,559,315</u></u>	<u><u>\$ 4,934,973</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (262,924)	\$ (185,052)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	499,578	439,515
Change in WRS Asset/Liability	(45,629)	(99,146)
Change in WRS Deferred Outflow	(42,047)	30,880
Change in WRS Deferred Inflow	62,016	68,819
Change in Operating Assets and Liabilities:		
Customer Accounts	(1,032)	(5,627)
Due from Other Governments	(103,667)	(4,730)
Inventories and Prepaid Items	4,072	(4,950)
Accounts Payable	53,857	62,558
Accrued and Other Current Liabilities	2,436	1,475
Customer Deposits	1,300	(1,000)
Unearned Revenue	107,162	5,000
Compensated Absences	4,075	4,156
	<u>\$ 279,197</u>	<u>\$ 311,898</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 3,189,655	\$ 4,563,209
Cash and Cash Equivalents in Restricted Assets	369,660	371,764
Total Cash and Cash Equivalents	<u>\$ 3,559,315</u>	<u>\$ 4,934,973</u>
Noncash Capital and Related Financing Activities		
Capital Contributions	\$ 380,850	\$ 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, 2021**

	Balance 1/1/2021	Additions	Retirements	Balance 12/31/21
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	16,477,039	410,900	1,750	16,886,189
Total Collecting System	<u>17,905,412</u>	<u>410,900</u>	<u>1,750</u>	<u>18,314,562</u>
Collecting System Pumping:				
Structures and Improvements	431,100	-	-	431,100
Electric Pumping Equipment	431,434	11,866	3,924	439,376
Other Power Pumping Equipment	728,254	-	-	728,254
Total Collecting System Pumping	<u>1,590,788</u>	<u>11,866</u>	<u>3,924</u>	<u>1,598,730</u>
Treatment and Disposal:				
Flow Metering and Monitoring Equipment	10,696	-	-	10,696
General:				
Structures and Improvements	14,685	53,507	-	68,192
Office Furniture and Equipment	27,661	2,116	-	29,777
Computer Equipment	15,628	-	-	15,628
Transportation Equipment	114,761	1,197	-	115,958
Communication Equipment	393,677	-	-	393,677
Other General Equipment	257,270	8,826	-	266,096
Total General	<u>823,682</u>	<u>65,646</u>	<u>-</u>	<u>889,328</u>
Total Sewer Utility Plant	<u>\$ 20,330,578</u>	<u>\$ 488,411</u>	<u>\$ 5,674</u>	<u>\$ 20,813,316</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
OPERATING REVENUES		
Sewer Revenues:		
Flat Rate Service	\$ 1,339,085	\$ 1,274,148
Other Operating Revenues:		
Miscellaneous	8,152	5,216
Total Operating Revenues	1,347,237	1,279,364
OPERATING EXPENSES		
Operation and Maintenance:		
Operation:		
Sewer Treatment Charge	381,209	362,444
Utilities	27,077	25,840
Transportation	6,563	7,940
Other Operating Supplies	839	846
Total Operation	415,688	397,070
Maintenance:		
Collection System	143,594	35,331
Pumping Equipment	1,315	5,674
General Plant Structures and Equipment	9,205	15,751
Total Maintenance	154,114	56,756
Administrative and General:		
Salaries	235,472	253,455
Office Supplies	18,549	19,732
Outside Services Employed	32,541	13,794
Property Insurance	28,018	25,490
Employee Pensions and Benefits	47,779	74,172
Miscellaneous	7,289	12,117
Rents	152,800	152,800
Total Administrative and General	522,448	551,560
Total Operation and Maintenance	1,092,250	1,005,386
Depreciation	499,578	439,515
Taxes	18,333	19,515
Total Operating Expenses	1,610,161	1,464,416
OPERATING LOSS	\$ (262,924)	\$ (185,052)

**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 water utility and sewer utility 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

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 Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other 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
April 12, 2022

**TOWN OF ALGOMA SANITARY DISTRICT #1
TOWNS OF ALGOMA AND OMRO, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

Section I – Internal Control Over Financial Reporting

Finding No.

2021-001

Segregation of Duties

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.

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.

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.

Cause:

The lack of segregation of duties is due to the limited number of employees and the size of the District's operations.

Repeat Finding:

Repeat of Finding 2020-001.

Recommendation:

We recommend the District Commission continue to monitor the transactions and the financial records of the District.

Views of
Responsible
Officials:

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 *Government Auditing Standards* for the year ended December 31, 2021.