

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



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**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
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**TOWN OF ALGOMA SANITARY DISTRICT #1  
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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, 2022, 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, 2022, 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***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.

***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 GAAS, 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 the 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, 2022, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information listed in the table of contents as supplementary information for the year ended December 31, 2022 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2022 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 GAAS. In our opinion, the information listed in the table of contents 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, 2022.

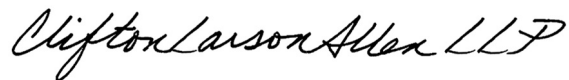
We also previously audited, in accordance with GAAS, the basic financial statements of the District as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated April 12, 2022, which contained unmodified opinions on the financial statements. The information listed in the table of contents as supplementary information for the year ended December 31, 2021 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 2021 financial statements. The information was subjected to the auditing procedures applied in the audit of the 2021 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 GAAS. In our opinion, the information listed in the table of contents 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.

***Report on Summarized Comparative Information***

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on the financial statements of the District in our report dated April 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Sheboygan, Wisconsin  
March 3, 2023

## **FINANCIAL STATEMENTS**



**TOWN OF ALGOMA SANITARY DISTRICT #1**  
**TOWNS OF ALGOMA AND OMRO, WISCONSIN**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	Water	Sewer	Totals	
			2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 1,133,568	\$ 3,875,923	\$ 5,009,491	\$ 4,802,030
Receivables:				
Customer Accounts	166,667	4,014	170,681	163,998
Special Assessments	254,614	10,838	265,452	297,890
Other	-	51,185	51,185	55,195
Due from Other Governments	5,695	1,464,418	1,470,113	1,409,980
Prepaid Items	41,216	9,198	50,414	45,900
Total Current Assets	<u>1,601,760</u>	<u>5,415,576</u>	<u>7,017,336</u>	<u>6,774,993</u>
<b>NONCURRENT ASSETS</b>				
Restricted Assets:				
Cash and Investments	348,961	400,648	749,609	717,639
<b>OTHER ASSETS</b>				
Special Assessments Receivable	559,711	42,556	602,267	882,169
Assets Held for Future Use	-	2,113	2,113	2,113
Advance to Water Utility	-	4,500,000	4,500,000	4,500,000
Net Pension Asset	126,591	116,118	242,709	193,581
Total Other Assets	<u>686,302</u>	<u>4,660,787</u>	<u>5,347,089</u>	<u>5,577,863</u>
<b>CAPITAL ASSETS</b>				
Nondepreciable	206,133	228,466	434,599	417,844
Depreciable, Net	18,276,332	10,241,542	28,517,874	29,205,526
Total Capital Assets	<u>18,482,465</u>	<u>10,470,008</u>	<u>28,952,473</u>	<u>29,623,370</u>
Total Assets	21,119,488	20,947,019	42,066,507	42,693,865
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Advance Refunding	11,911	8,175	20,086	28,580
Pension Related Amounts	246,678	226,624	473,302	318,133
Total Deferred Outflows of Resources	<u>258,589</u>	<u>234,799</u>	<u>493,388</u>	<u>346,713</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,378,077</u>	<u>\$ 21,181,818</u>	<u>\$ 42,559,895</u>	<u>\$ 43,040,578</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, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Water	Sewer	Totals	
			2022	2021
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 16,420	\$ 362,919	\$ 379,339	\$ 361,767
Accrued Interest	76,629	4,409	81,038	93,922
Accrued and Other Current Liabilities	26,730	34,180	60,910	60,062
Special Deposits	1,000	1,000	2,000	3,300
Unearned Revenue	-	1,243,346	1,243,346	1,186,788
Current Portion of Long-Term Obligations	1,307,235	93,510	1,400,745	1,368,036
Total Current Liabilities	1,428,014	1,739,364	3,167,378	3,073,875
<b>LONG-TERM LIABILITIES, Less Current Portion</b>				
General Obligation Debt	2,710,594	443,331	3,153,925	4,564,308
Advance from Sewer Utility	4,500,000	-	4,500,000	4,500,000
Compensated Absences	36,770	36,770	73,540	61,522
Total Long-Term Liabilities	7,247,364	480,101	7,727,465	9,125,830
Total Liabilities	8,675,378	2,219,465	10,894,843	12,199,705
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Special Charges on Subsequent Year Tax Roll	-	220,914	220,914	214,190
Pension Related Amounts	298,335	273,656	571,991	424,572
Total Deferred Inflows of Resources	298,335	494,570	792,905	638,762
<b>NET POSITION</b>				
Net Investment in Capital Assets	14,475,307	9,943,277	24,418,584	23,723,138
Restricted				
Future Debt Payments	348,961	400,648	749,609	717,639
Pension	126,591	116,118	242,709	193,581
Unrestricted	(2,546,495)	8,007,740	5,461,245	5,567,753
Total Net Position	12,404,364	18,467,783	30,872,147	30,202,111
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,378,077	\$ 21,181,818	\$ 42,559,895	\$ 43,040,578

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, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Water	Sewer	Totals	
			2022	2021
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 888,390	\$ 1,484,815	\$ 2,373,205	\$ 2,204,724
Other	173,036	7,847	180,883	183,760
Total Operating Revenues	<u>1,061,426</u>	<u>1,492,662</u>	<u>2,554,088</u>	<u>2,388,484</u>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	548,145	1,158,021	1,706,166	1,575,974
Depreciation	496,337	465,103	961,440	1,003,204
Taxes	20,797	19,547	40,344	38,261
Total Operating Expenses	<u>1,065,279</u>	<u>1,642,671</u>	<u>2,707,950</u>	<u>2,617,439</u>
<b>OPERATING LOSS</b>	(3,853)	(150,009)	(153,862)	(228,955)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
General Property Taxes	-	214,619	214,619	209,360
Interest Income	52,694	141,532	194,226	165,475
Other Nonoperating Revenues	-	47,664	47,664	46,801
Net Interest Expense	<u>(194,256)</u>	<u>(11,736)</u>	<u>(205,992)</u>	<u>(233,666)</u>
Total Nonoperating Revenues (Expenses)	<u>(141,562)</u>	<u>392,079</u>	<u>250,517</u>	<u>187,970</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	(145,415)	242,070	96,655	(40,985)
<b>CAPITAL CONTRIBUTIONS</b>	<u>299,859</u>	<u>273,522</u>	<u>573,381</u>	<u>1,010,496</u>
<b>CHANGE IN NET POSITION</b>	154,444	515,592	670,036	969,511
Net Position - Beginning of Year	<u>12,249,920</u>	<u>17,952,191</u>	<u>30,202,111</u>	<u>29,232,600</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,404,364</u>	<u>\$ 18,467,783</u>	<u>\$ 30,872,147</u>	<u>\$ 30,202,111</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, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Water	Sewer	Totals	
			2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 1,058,872	\$ 1,487,058	\$ 2,545,930	\$ 2,392,126
Cash Paid for Employee Wages and Benefits	(356,817)	(335,537)	(692,354)	(626,954)
Cash Paid to Suppliers	(266,429)	(818,342)	(1,084,771)	(1,012,686)
Net Cash Provided by Operating Activities	435,626	333,179	768,805	752,486
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
General Property Taxes	-	214,618	214,618	209,360
Other Nonoperating Revenues	-	47,664	47,664	46,801
Net Cash Provided by Noncapital Financing Activities	-	262,282	262,282	256,161
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(80,561)	(209,982)	(290,543)	(529,521)
Capital Contributions	109,210	132,148	241,358	174,134
Special Assessments Received	479,024	156,430	635,454	648,010
Interest Received on Special Assessments	46,979	3,218	50,197	63,870
Principal Paid on Long-Term Debt	(1,272,930)	(91,575)	(1,364,505)	(1,337,534)
Interest Paid on Long-Term Debt	(212,392)	(11,497)	(223,889)	(229,447)
Net Cash Used by Capital and Related Financing Activities	(930,670)	(21,258)	(951,928)	(1,210,488)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	17,219	143,053	160,272	102,409
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(477,825)	717,256	239,431	(99,432)
Cash and Cash Equivalents - Beginning of Year	1,960,354	3,559,315	5,519,669	5,619,101
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,482,529</u>	<u>\$ 4,276,571</u>	<u>\$ 5,759,100</u>	<u>\$ 5,519,669</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, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Water	Sewer	Totals	
			2022	2021
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Loss	\$ (3,853)	\$ (150,009)	\$ (153,862)	\$ (228,955)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	496,337	465,103	961,440	1,003,204
Change in WRS Asset/Liability	(25,694)	(23,434)	(49,128)	(94,117)
Change in WRS Deferred Outflow	(80,804)	(74,365)	(155,169)	(86,494)
Change in WRS Deferred Inflow	77,043	70,376	147,419	125,969
Change in Operating Assets and Liabilities:				
Customer Accounts	(5,553)	(1,325)	(6,878)	(3,434)
Other	81	-	81	2,019
Due from Other Governments	2,918	(66,260)	(63,342)	(103,407)
Prepaid Items	(3,461)	(1,053)	(4,514)	(11,305)
Accounts Payable	(27,090)	44,662	17,572	27,349
Accrued and Other Current Liabilities	(476)	1,324	848	5,045
Customer Deposits	-	(1,300)	(1,300)	1,300
Unearned Revenue	-	63,282	63,282	107,162
Compensated Absences	6,178	6,178	12,356	8,150
	<u>\$ 435,626</u>	<u>\$ 333,179</u>	<u>\$ 768,805</u>	<u>\$ 752,486</u>
Net Cash Provided by Operating Activities				
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Cash and Cash Equivalents in Current Assets	\$ 1,133,568	\$ 3,875,923	\$ 5,009,491	\$ 4,802,030
Cash and Cash Equivalents in Restricted Assets	348,961	400,648	749,609	717,639
Total Cash and Cash Equivalents	<u>\$ 1,482,529</u>	<u>\$ 4,276,571</u>	<u>\$ 5,759,100</u>	<u>\$ 5,519,669</u>
Noncash Capital and Related Financing Activities:				
Capital Contributions	<u>\$ 6,943</u>	<u>\$ 151,441</u>	<u>\$ 158,384</u>	<u>\$ 593,926</u>

See accompanying Notes to Financial Statements.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022**

**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. 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  
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**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 \$4,817,478 of anticipated future assessments for water and \$124,247 of anticipated future assessments for sewer as of December 31, 2022, 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 \$112,360 of new future special assessments. Interest added to future special assessments was \$46,979 in 2022. The sewer utility has \$136,294 of new future special assessments and interest added to future special assessments of \$3,218 in 2022.

**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. Prepaid Items**

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



**TOWN OF ALGOMA SANITARY DISTRICT #1  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**6. 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

**7. 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.

**8. 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.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. 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.

**10. 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.

**11. 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.

**12. 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.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2021, from which the summarized information was derived.

**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 \$5,759,100 on December 31, 2022 as summarized below:

Petty Cash and Cash on Hand	\$	400
Deposits with Financial Institutions		3,765,707
Investments:		
Wisconsin Local Government Investment Pool		1,992,993
Total		<u><u>\$ 5,759,100</u></u>

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:

Water Utility:

Cash and Investments	\$ 1,133,568
Restricted Cash and Investments	348,961
Subtotal - Water Utility	1,482,529

Sewer Utility:

Cash and Investments	3,875,923
Restricted Cash and Investments	400,648
Subtotal - Sewer Utility	4,276,571
Total	\$ 5,759,100

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

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

Custodial Credit Risk

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

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Custodial Credit Risk (Continued)

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, 2022, \$2,848,055 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 \$1,992,993 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, 2022, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Credit Risk

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.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Interest Rate Risk

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, 2022 totaled \$749,609 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	\$ 348,961	To account for resources accumulated for debt service payments.
Sewer Utility:		
Redemption	<u>400,648</u>	To account for resources accumulated for debt service payments.
Total	<u>\$ 749,609</u>	

**C. Due from Other Governments**

Due from other governments between the water and sewer utilities as of December 31, 2022 are detailed below:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
Water Utility	Municipalities	\$ 5,695	Delinquent Accounts Placed on Tax Bill
Sewer Utility	Municipalities	1,243,346	Sanitary User Fees
Sewer Utility	Municipalities	158	Delinquent Accounts Placed on Tax Bill
Sewer Utility	Municipalities	<u>220,914</u>	Tax Levy
Subtotal		<u>1,464,418</u>	
Total Due from Other Governments		<u>\$ 1,470,113</u>	

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
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**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, 2022:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Water Utility:				
Capital Assets, Nondepreciable:				
Land	\$ 184,003	\$ -	\$ -	\$ 184,003
Construction in Progress	13,000	19,130	10,000	22,130
Total Capital Assets, Nondepreciable	197,003	19,130	10,000	206,133
Capital Assets, Depreciable:				
Source of Supply	731,552	-	-	731,552
Pumping	1,904,819	-	-	1,904,819
Water Treatment	753,193	-	-	753,193
Transmission and Distribution	18,480,494	31,631	15,262	18,496,863
General	4,113,022	48,224	10,643	4,150,603
Subtotals	25,983,080	79,855	25,905	26,037,030
Less: Accumulated Depreciation	7,281,842	496,337	17,481	7,760,698
Subtotals	7,281,842	496,337	17,481	7,760,698
Total Capital Assets, Depreciable, Net	18,701,238	(416,482)	8,424	18,276,332
Capital Assets, Net	<u>\$ 18,898,241</u>	<u>\$ (397,352)</u>	<u>\$ 18,424</u>	18,482,465
Less: Capital Related Debt				3,988,110
Less: Debt Premium				27,784
Less: Accounts Payable				3,175
Add: Loss on Advance Refunding				11,911
Net Investment in Capital Assets				<u>\$ 14,475,307</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets (Continued)**

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Sewer Utility:				
Capital Assets, Nondepreciable:				
Land	\$ 220,841	\$ -	\$ -	\$ 220,841
Construction in Progress	-	7,625	-	7,625
Total Capital Assets, Nondepreciable	220,841	7,625	-	228,466
Capital Assets, Depreciable:				
Collecting System	18,093,721	29,900	-	18,123,621
Collecting System Pumping	1,598,729	40,605	11,333	1,628,001
Treatment and Disposal	10,696	525	-	11,221
General	889,329	131,327	1,947	1,018,709
Subtotals	20,592,475	202,357	13,280	20,781,552
Less: Accumulated Depreciation	10,088,187	465,103	13,280	10,540,010
Total Capital Assets, Depreciable, Net	10,504,288	(262,746)	-	10,241,542
Capital Assets, Net	\$ 10,725,129	\$ (255,121)	\$ -	10,470,008
Less: Capital Related Debt				529,100
Less: Debt Premium				5,806
Less: Accounts Payable				-
Add: Loss on Advance Refunding				8,175
Net Investment in Capital Assets				\$ 9,943,277

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

Water Utility	\$ 496,337
Sewer Utility	465,103
Total Depreciation Expense	\$ 961,440



**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2022 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 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>
2023	\$ -	\$ 53,000	\$ 53,000
2024	-	53,000	53,000
2025	-	53,000	53,000
2026	-	53,000	53,000
2027	-	53,000	53,000
2028-2031	4,500,000	125,000	4,625,000
Total	<u>\$ 4,500,000</u>	<u>\$ 390,000</u>	<u>\$ 4,890,000</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, 2022:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Debt:					
Bonds	\$ 3,319,325	\$ -	\$ 538,425	\$ 2,780,900	\$ 553,425
Notes from Direct Borrowings	1,941,715	-	734,505	1,207,210	751,875
Total General Obligation Debt	5,261,040	-	1,272,930	3,988,110	1,305,300
Debt Premium	38,836	-	11,052	27,784	-
Compensated Absences	32,527	7,453	1,275	38,705	1,935
Long-Term Obligations	<u>\$ 5,332,403</u>	<u>\$ 7,453</u>	<u>\$ 1,285,257</u>	<u>\$ 4,054,599</u>	<u>\$ 1,307,235</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Obligations (Continued)**

The water utility's outstanding notes from direct borrowings of \$1,207,210 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 \$212,392.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Notes from Direct Borrowing	4/14/04	5/1/23	2.37 %	\$ 7,154,843	\$ 461,444
Notes from Direct Borrowing	4/13/05	5/1/24	2.37	2,215,742	282,527
Notes from Direct Borrowing	4/12/06	5/1/25	2.37	2,449,342	463,239
General Obligation Bonds	2/2/11	4/1/26	2.00 - 4.05	2,550,000	1,050,000
General Obligation Bonds	4/1/15	3/1/28	2.13 - 3.00	2,265,000	960,000
General Obligation Bonds	6/2/16	2/1/28	2.00	2,330,000	770,900
Total Outstanding General Obligation Debt					<u>\$ 3,988,110</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$3,988,110 on December 31, 2022 are detailed below:

Year Ended December 31,	Bonded Debt		Notes from: Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 553,425	\$ 75,228	\$ 751,875	\$ 19,660	\$ 1,305,300	\$ 94,888
2024	561,390	58,579	297,299	7,253	858,689	65,832
2025	587,320	41,033	158,036	1,869	745,356	42,902
2026	565,285	22,440	-	-	565,285	22,440
2027	289,355	9,626	-	-	289,355	9,626
2028	224,124	2,991	-	-	224,124	2,991
Total	<u>\$ 2,780,900</u>	<u>\$ 209,897</u>	<u>\$ 1,207,210</u>	<u>\$ 28,782</u>	<u>\$ 3,988,110</u>	<u>\$ 238,679</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Bonds:	\$ 620,675	\$ -	\$ 91,575	\$ 529,100	\$ 91,575
Debt Premium	8,261	-	2,455	5,806	-
Compensated Absences	32,527	7,453	1,275	38,705	1,935
Long-Term Obligations	<u>\$ 661,463</u>	<u>\$ 7,453</u>	<u>\$ 95,305</u>	<u>\$ 573,611</u>	<u>\$ 93,510</u>

Total interest paid on long-term debt totaled \$11,497.

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/22
General Obligation Bonds	6/2/16	2/1/28	2.00%	<u>\$ 948,310</u>	<u>\$ 529,100</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$529,100 on December 31, 2022 are detailed below:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 91,575	\$ 9,666
2024	93,610	7,814
2025	97,680	5,902
2026	99,715	3,928
2027	95,645	1,974
2028	50,875	508
Total	<u>\$ 529,100</u>	<u>\$ 29,792</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation on December 31, 2022 was \$45,658,701 as follows:

Equalized Valuation of the District	\$ 1,003,518,225
Statutory Limitation Percentage	<u>(x) 5%</u>
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	50,175,911
Net Outstanding General Obligation Debt Applicable to Debt Limitation	<u>4,517,210</u>
Legal Margin for New Debt	<u>\$ 45,658,701</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan**

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/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**1. Plan Description (Continued)**

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.

**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>
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%
2021	5.1%	13.0%

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**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 reporting period ending December 31, 2022, the WRS recognized \$35,601 in contributions from the District.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.50 %	6.50 %
Protective with Social Security	6.50	12.00
Protective without Social Security	6.50	16.40

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

At December 31, 2022, the District reported an asset of \$242,709 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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, 2021, the District's proportion was 0.00301122%, which was a decrease of 0.0088851% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the District recognized pension revenue of \$21,219.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, 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	\$ 204,501	\$ 14,746	\$ 187,583	\$ 13,527
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	283,194	-	259,767
Changes in Assumptions	23,617	-	21,664	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	175	395	161	362
Employer Contributions Subsequent to the Measurement Date	18,385	-	17,216	-
Total	\$ 246,678	\$ 298,335	\$ 226,624	\$ 273,656

\$35,601 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31,	Water Utility Expense	Sewer Utility Expense
2023	\$ (5,936)	\$ (5,444)
2024	(34,392)	(31,546)
2025	(15,204)	(13,946)
2026	(14,510)	(13,312)
Total	\$ (70,042)	\$ (64,248)

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**5. Actuarial Assumptions**

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table

- No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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 geometric 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, 2022**

**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	52.0%	6.8%	4.2%
Fixed Income	25.0	4.3%	1.8%
Inflation Sensitive Assets	19.0	2.7%	0.2%
Real Estate	7.0	5.6%	3.0%
Private Equity/Debt	12.0	9.7%	7.0%
Cash	-15.0	0.9%	N/A
Total Core Fund	<u>100.0%</u>	6.6%	4.0%
Variable Fund Asset Class:			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0	7.2%	4.6%
Total Variable Fund	<u>100.0%</u>	6.8%	4.2%

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**5. Actuarial Assumptions (Continued)**

**Single Discount Rate.** A single discount rate of 6.8% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (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 6.8% expected rate of return implies that a dividend of approximately 1.7% 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. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 6.8%, 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 (5.8%) or one-percentage-point higher (7.8%) than the current rate:

	One Percent Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	One Percent Increase to Discount Rate (7.8%)
Water Utility's Proportionate Share of the Net Pension Liability (Asset)	\$ 89,825	\$ (126,591)	\$ (282,371)
Sewer Utility's Proportionate Share of the Net Pension Liability (Asset)	82,394	(116,118)	(259,011)
Total	<u>\$ 172,219</u>	<u>\$ (242,709)</u>	<u>\$ (541,382)</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>.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**6. Payables to the Pension Plan**

At December 31, 2022, the District reported a payable of \$13,681 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2022.

**H. Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to this plan are entirely from employee voluntary contributions. The District makes no employer contributions to this plan.

**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, 2022, 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 \$251,272 in 2022.

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 \$120,638 in 2022.

The District is working to negotiate a long-term renewal of the wastewater treatment contract with the city of Oshkosh, Wisconsin.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Risk Management**

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

**C. Contingencies**

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

**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)**

Measurement Period Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00285388 %	\$ (70,099)	\$ 399,871	(17.53)%	(102.74)%
12/31/15	0.00284049	46,157	418,234	11.04	98.20
12/31/16	0.00293016	24,151	432,438	5.58	99.12
12/31/17	0.00297484	(88,326)	443,847	(19.90)	(102.93)
12/31/18	0.00302524	107,628	475,402	22.64	96.45
12/31/19	0.00308468	(99,464)	507,458	(19.60)	(102.96)
12/31/20	0.00310007	(193,581)	508,302	(38.08)	(105.26)
12/31/21	0.00301122	(242,709)	489,439	(49.59)	(106.02)

**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 28,440	\$ 28,440	\$ -	\$ 418,234	6.80 %
12/31/16	28,541	28,541	-	432,438	6.60
12/31/17	30,182	30,182	-	443,847	6.80
12/31/18	31,852	31,852	-	475,402	6.70
12/31/19	33,239	33,239	-	507,458	6.55
12/31/20	34,310	34,310	-	508,302	6.75
12/31/21	33,037	33,037	-	489,440	6.75
12/31/22	35,601	35,601	-	547,715	6.50

See accompanying Notes to Requires Supplementary Information.

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 WISCONSIN RETIREMENT SYSTEM**

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

*Changes of assumptions:*

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality table to the Wisconsin 2018 Mortality Table.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten 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, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 1,133,568	\$ 1,612,375
Receivables:		
Customer Accounts	166,667	161,114
Special Assessments	254,614	285,553
Other	-	81
Due from Other Governments	5,695	8,612
Prepaid Items	41,216	37,755
Total Current Assets	1,601,760	2,105,490
<b>NONCURRENT ASSETS</b>		
Restricted Assets:		
Cash and Investments	348,961	347,979
<b>OTHER ASSETS</b>		
Special Assessments Receivable	559,711	828,652
Net Pension Asset	126,591	100,897
Total Other Assets	686,302	929,549
<b>CAPITAL ASSETS</b>		
Nondepreciable	206,133	197,003
Depreciable, Net	18,276,332	18,701,238
Total Capital Assets	18,482,465	18,898,241
 Total Assets	 21,119,488	 22,281,259
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on Advance Refunding	11,911	16,948
Pension Related Amounts	246,678	165,874
Total Deferred Outflows of Resources	258,589	182,822
 Total Assets and Deferred Outflows of Resources	 \$ 21,378,077	 \$ 22,464,081

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
STATEMENT OF NET POSITION – WATER UTILITY (CONTINUED)  
DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2022	2021
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 16,420	\$ 43,510
Accrued Interest	76,629	88,750
Accrued and Other Current Liabilities	26,730	27,206
Special Deposits	1,000	1,000
Current Portion of Long-Term Obligations	1,307,235	1,274,695
Total Current Liabilities	1,428,014	1,435,161
<b>LONG-TERM LIABILITIES, Less Current Portion</b>		
General Obligation Debt	2,710,594	4,026,947
Advance from Sewer Utility	4,500,000	4,500,000
Compensated Absences	36,770	30,761
Total Long-Term Liabilities	7,247,364	8,557,708
 Total Liabilities	 8,675,378	 9,992,869
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Amounts	298,335	221,292
<b>NET POSITION</b>		
Net Investment in Capital Assets	14,475,307	13,615,313
Restricted		
Future Debt Payments	348,961	347,979
Pension	126,591	100,897
Unrestricted	(2,546,495)	(1,814,269)
Total Net Position	12,404,364	12,249,920
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 21,378,077	 \$ 22,464,081

**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, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 888,390	\$ 865,639
Other	173,036	175,608
Total Operating Revenues	1,061,426	1,041,247
<b>OPERATING EXPENSES</b>		
Operation and Maintenance	548,145	483,724
Depreciation	496,337	503,626
Taxes	20,797	19,928
Total Operating Expenses	1,065,279	1,007,278
<b>OPERATING INCOME (LOSS)</b>	(3,853)	33,969
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	52,694	59,688
Net Interest Expense	(194,256)	(219,928)
Total Nonoperating Revenues (Expenses)	(141,562)	(160,240)
<b>LOSS BEFORE CONTRIBUTIONS</b>	(145,415)	(126,271)
<b>CAPITAL CONTRIBUTIONS</b>	299,859	513,621
<b>CHANGE IN NET POSITION</b>	154,444	387,350
Net Position - Beginning of Year	12,249,920	11,862,570
<b>NET POSITION - END OF YEAR</b>	\$ 12,404,364	\$ 12,249,920

**TOWN OF ALGOMA SANITARY DISTRICT #1**  
**TOWNS OF ALGOMA AND OMRO, WISCONSIN**  
**STATEMENT OF CASH FLOWS – WATER UTILITY**  
**YEAR ENDED DECEMBER 31, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,058,872	\$ 1,041,126
Cash Paid for Employee Wages and Benefits	(356,817)	(323,903)
Cash Paid to Suppliers	(266,429)	(243,934)
Net Cash Provided by Operating Activities	435,626	473,289
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advance from Sewer Utility	-	2,000,000
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(80,561)	(451,791)
Capital Contributions	109,210	93,084
Special Assessments Received	479,024	546,289
Interest Received on Special Assessments	46,979	59,504
Principal Paid on Long-Term Debt	(1,272,930)	(1,245,959)
Interest Paid on Long-Term Debt	(212,392)	(216,118)
Net Cash Used by Capital and Related Financing Activities	(930,670)	(1,214,991)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	17,219	17,928
 <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(477,825)	1,276,226
Cash and Cash Equivalents - Beginning of Year	1,960,354	684,128
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,482,529	\$ 1,960,354

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
STATEMENT OF CASH FLOWS – WATER UTILITY (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (3,853)	\$ 33,969
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	496,337	503,626
Change in WRS Asset/Liability	(25,694)	(48,488)
Change in WRS Deferred Outflow	(80,804)	(44,447)
Change in WRS Deferred Inflow	77,043	63,953
Change in Operating Assets and Liabilities:		
Customer Accounts	(5,553)	(2,402)
Other	81	2,019
Due from Other Governments	2,918	260
Prepaid Items	(3,461)	(15,377)
Accounts Payable	(27,090)	(26,508)
Accrued and Other Current Liabilities	(476)	2,609
Compensated Absences	6,178	4,075
Net Cash Provided by Operating Activities	\$ 435,626	\$ 473,289
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents in Current Assets	\$ 1,133,568	\$ 1,612,375
Cash and Cash Equivalents in Restricted Assets	348,961	347,979
Total Cash and Cash Equivalents	\$ 1,482,529	\$ 1,960,354
Noncash Capital and Related Financing Activities:		
Capital Contributions	\$ 6,943	\$ 213,076

**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, 2022**

	Balance 1/1/2022	Additions	Retirements	Balance 12/31/2022
<b>Source of Supply:</b>				
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>
<b>Pumping:</b>				
Structures and Improvements	1,627,530	-	-	1,627,530
Electric Pumping Equipment	277,289	-	-	277,289
Total Collecting System Pumping	<u>1,904,819</u>	-	-	<u>1,904,819</u>
<b>Water Treatment:</b>				
Water Treatment Equipment	753,193	-	-	753,193
<b>Transmission and Distribution:</b>				
Land and Land Rights	77,988	-	-	77,988
Distribution Reservoirs and Standpipes	814,762	-	-	814,762
Transmission and Distribution Mains	12,443,110	-	-	12,443,110
Services	3,296,371	14,594	3,740	3,307,225
Meters	329,562	17,037	11,522	335,077
Hydrants	1,596,689	-	-	1,596,689
Total Transmission and Distribution	<u>18,558,482</u>	<u>31,631</u>	<u>15,262</u>	<u>18,574,851</u>
<b>General:</b>				
Structures and Improvements	3,546,674	-	-	3,546,674
Office Furniture and Equipment	58,433	-	-	58,433
Computer Equipment	34,920	-	8,697	26,223
Transportation Equipment	111,808	24,078	-	135,886
Tools, Shop, and Garage Equipment	34,351	8,033	-	42,384
Power-Operated Equipment	52,623	-	-	52,623
SCADA Equipment	274,213	16,113	1,946	288,380
Total General	<u>4,113,022</u>	<u>48,224</u>	<u>10,643</u>	<u>4,150,603</u>
<b>Total Water Utility Plant</b>	<u><u>\$ 26,167,083</u></u>	<u><u>\$ 79,855</u></u>	<u><u>\$ 25,905</u></u>	<u><u>\$ 26,221,033</u></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, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>OPERATING REVENUES</b>		
Sales of Water:		
Metered:		
Residential	\$ 641,435	\$ 620,164
Commercial	25,596	25,515
Industrial	8,657	8,449
Total Metered Sales	675,688	654,128
Private Fire Protection	3,024	3,024
Public Fire Protection	209,678	208,487
Total Sales of Water	888,390	865,639
Other Operating Revenues:		
Forfeited Discounts	1,504	1,614
Rent from Water Property	159,700	159,520
Other	11,832	14,474
Total Other Operating Revenues	173,036	175,608
Total Operating Revenues	1,061,426	1,041,247
<b>OPERATING EXPENSES</b>		
Operation and Maintenance:		
Source of Supply:		
Operation Supplies	166	169
Pumping:		
Fuel or Purchased Power for Pumping	21,552	17,293
Total Pumping	21,552	17,293
Water Treatment:		
Operation Labor	34,394	30,876
Chemicals	10,527	8,578
Operation Supplies	3,503	2,798
Maintenance	5,276	1,226
Total Water Treatment	53,700	43,478
Transmission and Distribution:		
Operation Labor	33,591	26,016
Operation Supplies	1,550	1,180
Maintenance:		
Operation Expense	2,967	3,742
Reservoirs and Standpipes	31,900	-
Mains	360	5,159
Services	14,810	17,770
Hydrants	2,186	11,356
Total Transmission and Distribution	89,676	65,223

**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, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>OPERATING EXPENSES (CONTINUED)</b>		
Customer Accounts:		
Meter Reading Labor	\$ 1,285	\$ 1,500
Accounting and Collecting Labor	12,292	10,483
Supplies and Expenses	6,098	6,032
Total Customer Accounts	19,675	18,015
Administrative and General:		
Salaries	152,420	145,655
Office Supplies	18,879	18,514
Outside Services Employed	17,023	23,785
Property Insurance	4,420	3,868
Injuries and Damages	18,830	19,930
Employee Pensions and Benefits	42,585	45,975
Regulatory Commission	1,001	1,214
Maintenance	29,296	23,812
Transportation	18,321	10,783
Miscellaneous	60,601	46,010
Total Administrative and General	363,376	339,546
Depreciation	496,337	503,626
Taxes	20,797	19,928
Total Operating Expenses	1,065,279	1,007,278
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (3,853)</b>	<b>\$ 33,969</b>



**TOWN OF ALGOMA SANITARY DISTRICT #1**  
**TOWNS OF ALGOMA AND OMRO, WISCONSIN**  
**STATEMENT OF NET POSITION – SEWER UTILITY**  
**DECEMBER 31, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 3,875,923	\$ 3,189,655
Receivables:		
Customer Accounts	4,014	2,884
Special Assessments	10,838	12,337
Other	51,185	55,114
Due from Other Governments	1,464,418	1,401,368
Prepaid Items	9,198	8,145
Total Current Assets	5,415,576	4,669,503
<b>NONCURRENT ASSETS</b>		
Restricted Assets:		
Cash and Investments	400,648	369,660
<b>OTHER ASSETS</b>		
Special Assessments Receivable	42,556	53,517
Advance to Water Utility	4,500,000	4,500,000
Assets Held for Future Use	2,113	2,113
Net Pension Asset	116,118	92,684
Total Other Assets	4,660,787	4,648,314
<b>CAPITAL ASSETS</b>		
Nondepreciable	228,466	220,841
Depreciable, Net	10,241,542	10,504,288
Total Capital Assets	10,470,008	10,725,129
 Total Assets	 20,947,019	 20,412,606
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on Advance Refunding	8,175	11,632
Pension Related Amounts	226,624	152,259
Total Deferred Outflows of Resources	234,799	163,891
 Total Assets and Deferred Outflows of Resources	 \$ 21,181,818	 \$ 20,576,497

**TOWN OF ALGOMA SANITARY DISTRICT #1**  
**TOWNS OF ALGOMA AND OMRO, WISCONSIN**  
**STATEMENT OF NET POSITION – SEWER UTILITY (CONTINUED)**  
**DECEMBER 31, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2022	2021
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 362,919	\$ 318,257
Accrued Interest	4,409	5,172
Accrued and Other Current Liabilities	34,180	32,856
Special Deposits	1,000	2,300
Unearned Revenue	1,243,346	1,186,788
Current Portion of Long-Term Obligations	93,510	91,575
Total Current Liabilities	1,739,364	1,636,948
<b>LONG-TERM LIABILITIES, Less Current Portion</b>		
General Obligation Debt	443,331	537,361
Compensated Absences	36,770	32,527
Total Long-Term Liabilities	480,101	569,888
 Total Liabilities	 2,219,465	 2,206,836
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	220,914	214,190
Pension Related Amounts	273,656	203,280
Total Deferred Inflows of Resources	494,570	417,470
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,943,277	10,107,825
Restricted		
Future Debt Payments	400,648	369,660
Pension	116,118	92,684
Unrestricted	8,007,740	7,382,022
Total Net Position	18,467,783	17,952,191
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 21,181,818	 \$ 20,576,497

**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, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 1,484,815	\$ 1,339,085
Other	7,847	8,152
Total Operating Revenues	1,492,662	1,347,237
<b>OPERATING EXPENSES</b>		
Operation and Maintenance	1,158,021	1,092,250
Depreciation	465,103	499,578
Taxes	19,547	18,333
Total Operating Expenses	1,642,671	1,610,161
<b>OPERATING LOSS</b>	(150,009)	(262,924)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
General Property Taxes	214,619	209,360
Interest Income	141,532	105,787
Net Interest Expense	(11,736)	(13,738)
Other Nonoperating Revenues	47,664	46,801
Total Nonoperating Revenues (Expenses)	392,079	348,210
<b>INCOME BEFORE CONTRIBUTIONS</b>	242,070	85,286
<b>CAPITAL CONTRIBUTIONS</b>	273,522	496,875
<b>CHANGE IN NET POSITION</b>	515,592	582,161
Net Position - Beginning of Year	17,952,191	17,370,030
<b>NET POSITION - END OF YEAR</b>	\$ 18,467,783	\$ 17,952,191

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
STATEMENT OF CASH FLOWS – SEWER UTILITY  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,487,058	\$ 1,351,000
Cash Paid for Employee Wages and Benefits	(335,537)	(303,051)
Cash Paid to Suppliers	<u>(818,342)</u>	<u>(768,752)</u>
Net Cash Provided by Operating Activities	333,179	279,197
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
General Property Taxes	214,618	209,360
Other Nonoperating Revenues	47,664	46,801
Advance to Water Utility	<u>-</u>	<u>(2,000,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	262,282	(1,743,839)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(209,982)	(77,730)
Capital Contributions	132,148	81,050
Special Assessments Received	156,430	101,721
Interest received on Special Assessments	3,218	4,366
Principal Paid on Long-Term Debt	(91,575)	(91,575)
Interest Paid on Long-Term Debt	<u>(11,497)</u>	<u>(13,329)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,258)	4,503
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>143,053</u>	<u>84,481</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	717,256	(1,375,658)
Cash and Cash Equivalents - Beginning of Year	<u>3,559,315</u>	<u>4,934,973</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,276,571</u>	<u>\$ 3,559,315</u>

**TOWN OF ALGOMA SANITARY DISTRICT #1**  
**TOWNS OF ALGOMA AND OMRO, WISCONSIN**  
**STATEMENT OF CASH FLOWS – SEWER UTILITY (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (150,009)	\$ (262,924)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	465,103	499,578
Change in WRS Asset/Liability	(23,434)	(45,629)
Change in WRS Deferred Outflow	(74,365)	(42,047)
Change in WRS Deferred Inflow	70,376	62,016
Change in Operating Assets and Liabilities:		
Customer Accounts	(1,325)	(1,032)
Due from Other Governments	(66,260)	(103,667)
Prepaid Items	(1,053)	4,072
Accounts Payable	44,662	53,857
Accrued and Other Current Liabilities	1,324	2,436
Customer Deposits	(1,300)	1,300
Unearned Revenue	63,282	107,162
Compensated Absences	6,178	4,075
	<u>\$ 333,179</u>	<u>\$ 279,197</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents in Current Assets	\$ 3,875,923	\$ 3,189,655
Cash and Cash Equivalents in Restricted Assets	400,648	369,660
Total Cash and Cash Equivalents	<u>\$ 4,276,571</u>	<u>\$ 3,559,315</u>
Noncash Capital and Related Financing Activities:		
Capital Contributions	<u>\$ 151,441</u>	<u>\$ 380,850</u>

**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, 2022**

	Balance 1/1/2022	Additions	Retirements	Balance 12/31/22
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	16,886,189	29,900	-	16,916,089
Total Collecting System	<u>18,314,562</u>	<u>29,900</u>	<u>-</u>	<u>18,344,462</u>
Collecting System Pumping:				
Structures and Improvements	431,100	-	-	431,100
Electric Pumping Equipment	439,376	16,808	11,333	444,851
Other Power Pumping Equipment	728,254	23,797	-	752,051
Total Collecting System Pumping	<u>1,598,730</u>	<u>40,605</u>	<u>11,333</u>	<u>1,628,002</u>
Treatment and Disposal:				
Flow Metering and Monitoring Equipment	10,696	525	-	11,221
General:				
Structures and Improvements	68,192	-	-	68,192
Office Furniture and Equipment	29,777	-	-	29,777
Computer Equipment	15,628	-	-	15,628
Transportation Equipment	115,958	115,212	-	231,170
Communication Equipment	393,677	16,115	1,947	407,845
Other General Equipment	266,096	-	-	266,096
Total General	<u>889,328</u>	<u>131,327</u>	<u>1,947</u>	<u>1,018,708</u>
Total Sewer Utility Plant	<u>\$ 20,813,316</u>	<u>\$ 202,357</u>	<u>\$ 13,280</u>	<u>\$ 21,002,393</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, 2022**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>OPERATING REVENUES</b>		
Sewer Revenues:		
Flat Rate Service	\$ 1,484,815	\$ 1,339,085
Other Operating Revenues:		
Miscellaneous	7,847	8,152
Total Operating Revenues	1,492,662	1,347,237
<b>OPERATING EXPENSES</b>		
Operation and Maintenance:		
Operation:		
Sewer Treatment Charge	433,555	381,209
Utilities	30,374	27,077
Transportation	13,815	6,563
Other Operating Supplies	862	839
Total Operation	478,606	415,688
Maintenance:		
Collection System	15,969	143,594
Pumping Equipment	10,298	1,315
General Plant Structures and Equipment	17,010	9,205
Total Maintenance	43,277	154,114
Administrative and General:		
Salaries	273,552	235,472
Office Supplies	19,624	18,549
Outside Services Employed	112,035	32,541
Property Insurance	27,881	28,018
Employee Pensions and Benefits	43,610	47,779
Miscellaneous	6,636	7,289
Rents	152,800	152,800
Total Administrative and General	636,138	522,448
Total Operation and Maintenance	1,158,021	1,092,250
Depreciation	465,103	499,578
Taxes	19,547	18,333
Total Operating Expenses	1,642,671	1,610,161
<b>OPERATING LOSS</b>	<b>\$ (150,009)</b>	<b>\$ (262,924)</b>

**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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 2022-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

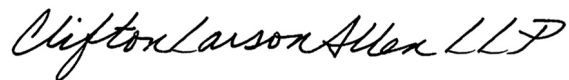
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **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  
March 3, 2023

**TOWN OF ALGOMA SANITARY DISTRICT #1  
TOWNS OF ALGOMA AND OMRO, WISCONSIN  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

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***Internal Control Over Financial Reporting***

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**Finding No.**

2022-001

**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 or  
Specific  
Requirement:

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 2021-001.

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.



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