

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
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## INDEPENDENT AUDITORS' REPORT

Commissioners  
Neenah-Menasha Sewerage Commission  
Menasha, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Neenah-Menasha Sewerage Commission (the Commission) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, on our consideration of the Commission'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 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 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 Commission's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
March 10, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Neenah-Menasha Sewerage Commission

## Menasha, Wisconsin

### MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

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As management of the Neenah-Menasha Sewerage Commission, Menasha, Wisconsin (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ended December 31, 2020 and 2019.

#### **Financial Highlights**

- The assets of the Commission exceeded its liabilities as of December 31, 2020 and 2019 by \$9,633,475 and \$10,145,529, respectively (*net position*).
- The Commission's total net position decreased for the year ended December 31, 2020 by \$512,054 and increased for the year ended December 31, 2019 by \$319,927. Several factors contributed to the overall changes as follows:
  1. The Commission charges to its users for operation and maintenance costs are adjusted at year end to equal final expenses less other operating revenues generated and a receivable or payable is established.
  2. The Commission does not recover depreciation expense from its users. Rather, the Commission's users are responsible for a portion of the debt service maturities based on usage of the facilities. Depreciation expense and interest and fiscal charges exceeded user charges for debt retirement by \$694,375 and \$696,439, respectively. Depreciation expense increased in 2020 compared to 2019. There was a \$713,766 loss on disposal of capital assets in 2020.
  3. Commission users contribute to equipment replacement and depreciation funds for replacement or significant repairs to existing equipment. For the years ended December 31, 2020 and 2019, charges exceeded depreciation and equipment maintenance costs by \$857,383 and \$868,269, respectively.
- The Commission's total long-term debt decreased by \$1,039,283 and \$1,012,491 during 2020 and 2019 as the Commission made required debt service payments without issuing any new debt.

#### **Overview of the Financial Statements**

The Commission's annual report includes this management's discussion and analysis, the independent auditors' report and the financial statements, including notes. This report also contains supplementary information in addition to the financial statements themselves.

The Commission accounts for its operations as an enterprise fund. An enterprise fund is used to account for operations financed and operated in a manner similar to private business with the intent that the costs (expenses, including depreciation) of providing services to the general public be financed primarily through user charges.

# Neenah-Menasha Sewerage Commission

## Menasha, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2020 AND 2019

### Financial Analysis

Net position may serve over time as a useful indicator of the Commission's financial position. The Commission's assets exceeded its liabilities as follows:

<b>Neenah-Menasha Sewerage Commission's Net Position</b>			
	2020	2019	2018
Current and other assets	\$ 204,851	\$ 128,781	\$ 237,256
Restricted assets	6,825,162	6,222,633	5,933,886
Capital assets	17,802,813	19,952,147	20,974,845
Total assets	<u>24,832,826</u>	<u>26,303,561</u>	<u>27,145,987</u>
Long-term liabilities outstanding	14,888,862	15,928,145	16,940,636
Other liabilities	310,489	229,887	379,749
Total liabilities	<u>15,199,351</u>	<u>16,158,032</u>	<u>17,320,385</u>
Net position			
Net investment in capital assets	2,913,951	4,024,002	4,034,209
Restricted	6,750,607	6,152,610	5,821,752
Unrestricted	<u>(31,083)</u>	<u>(31,083)</u>	<u>(30,359)</u>
Total net position	<u>\$ 9,633,475</u>	<u>\$ 10,145,529</u>	<u>\$ 9,825,602</u>

The Commission uses capital assets to provide services to its contract users; consequently, these assets are *not* available for future spending. The Commission finances major renovation projects by issuing debt, while annual capital improvements are generally funded by the Commission's equipment replacement and depreciation funds. The Commission completed a major renovation in 2016. As a result, overall capital assets are expected to decrease, as depreciation expense will exceed capital additions. Similarly, the Commission's outstanding debt will decrease, as the Commission collects from contract users amounts sufficient to retire debt obligations as they come due. As a result, the Commission's net investment in capital assets (e.g. land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding, generally remains consistent. In 2020, the Commission transferred ownership of interceptors to users resulting in a decrease of the net investment in capital assets.

An additional portion of the Commission's net position represents resources that are subject to external restrictions on how they may be used, consisting of amounts received from contract users for debt service or capital improvements (depreciation and equipment replacement funds). These charges are established in the Commission's annual budget.

The Commission's unrestricted net position is expected to be minimal, as the Commission annually determines actual operation and maintenance costs, less other revenues, and creates a receivable or payable to each contract user based on the user's plant loadings for the year.

# Neenah-Menasha Sewerage Commission

## Menasha, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2020 AND 2019

Change in net position. A summary of changes in net position for the years ended December 31, 2020, 2019 and 2018 follows:

<b>Neenah-Menasha Sewerage Commission's Change in Net Position</b>			
	2020	2019	2018
Operating Revenues			
User charges			
Measured service	\$ 3,097,054	\$ 3,104,687	\$ 3,041,910
Capital charges	1,468,583	1,384,818	1,441,924
Depreciation fund charges	100,005	100,004	99,999
Replacement fund charges	778,009	778,007	778,000
Interceptor cleaning and maintenance charges	-	-	12,832
Other charges	121,442	118,064	99,173
Total operating revenues	<u>5,565,093</u>	<u>5,485,580</u>	<u>5,473,838</u>
Operating Expenses			
Operation and maintenance	3,219,095	3,225,055	3,141,660
Interceptor cleaning and maintenance	-	-	12,832
Depreciation	1,761,154	1,652,190	1,679,420
Depreciation fund	20,631	7,285	5,586
Replacement fund	-	2,457	-
Total operating expenses	<u>5,000,880</u>	<u>4,886,987</u>	<u>4,839,498</u>
Operating income (loss)	564,213	598,593	634,340
Nonoperating revenues (expenses)	<u>(1,076,267)</u>	<u>(323,856)</u>	<u>(375,270)</u>
Net income (loss)	(512,054)	274,737	259,070
Capital contributions	-	45,190	-
Change in net position	<u>(512,054)</u>	<u>319,927</u>	<u>259,070</u>
Net position - beginning balance	<u>10,145,529</u>	<u>9,825,602</u>	<u>9,566,532</u>
Net position - ending balance	<u>\$ 9,633,475</u>	<u>\$ 10,145,529</u>	<u>\$ 9,825,602</u>

Key elements of the changes were discussed previously.

### Capital Asset and Debt Administration

*Capital assets.* The Commission's investment in capital assets (net of accumulated depreciation) includes land, land improvements, buildings, improvements other than buildings, machinery and equipment and construction in progress is summarized on the following page.

# Neenah-Menasha Sewerage Commission

## Menasha, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019

<b>Neenah-Menasha Sewerage Commission, Wisconsin's Capital Assets</b> (net of accumulated depreciation)			
	2020	2019	2018
Land	\$ 216,215	\$ 228,046	\$ 228,046
Land improvements	7,806	15,612	23,418
Buildings	9,972,076	10,919,911	11,888,378
Improvements other than buildings	1,799,212	2,541,223	2,581,298
Machinery and equipment	5,766,259	5,539,142	6,051,504
Construction in progress	41,245	708,213	202,201
<b>Total</b>	<b>\$ 17,802,813</b>	<b>\$ 19,952,147</b>	<b>\$ 20,974,845</b>

As previously discussed, the decrease in the Commission's investment in capital assets results from depreciation expense which exceeds additions and the transfer of the interceptors.

*Long-term debt.* The Commission includes the anticipated principal retirement in its capital charges to its users. The Commission's long-term indebtedness is summarized below:

<b>Neenah-Menasha Sewerage Commission, Wisconsin's Outstanding Debt</b> Clean Water Fund Debt			
	2020	2019	2018
Clean Water Fund Debt			
Revenue bonds	\$ 11,997,245	\$ 12,837,505	\$ 13,656,105
General obligation notes	2,841,649	3,040,672	3,234,563
<b>Total</b>	<b>\$ 14,838,894</b>	<b>\$ 15,878,177</b>	<b>\$ 16,890,668</b>

### **Economic Factors and Next Year's Budgets and Rates**

The 2021 net operation and maintenance budget increased 2.3%, equipment replacement fund and depreciation fund budgets remained the same, and the capital budget remained approximately the same. The overall rates to the users will result in an overall increase of 1.2%.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either the General Manager, Paul Much or the plant accountant, Roger Voigt.

## **FINANCIAL STATEMENTS**

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 115,138	\$ 23,938
Receivables:		
Accounts	18,000	599
Due from Users	50,599	99,158
Due from Users - Year-End Settlement	-	5,086
Prepaid Items	21,114	-
Total Current Assets	204,851	128,781
Noncurrent Assets:		
Restricted Assets		
Cash and Investments	6,781,175	6,092,080
Due from Users, Net	43,987	130,553
Total Restricted Assets	6,825,162	6,222,633
Capital Assets:		
Nondepreciable	257,460	936,259
Depreciable	17,545,353	19,015,888
Net Capital Assets	17,802,813	19,952,147
Total Assets	24,832,826	26,303,561

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 80,702	\$ 87,568
Due to Users - Year-End Settlement	153,654	71,461
Accrued and Other Current Liabilities	598	835
Payable from Restricted Assets		
Accounts Payable	10,095	-
Current Portion of Long-Term Debt - General Obligation Notes	204,289	199,023
Current Portion of Long-Term Debt - Revenue Bonds	862,493	840,260
Accrued Interest	65,440	70,023
Total Current Liabilities	<u>1,377,271</u>	<u>1,269,170</u>
Long-Term Obligations, Less Current Portion:		
General Obligation Debt	2,637,360	2,841,647
Revenue Bonds	11,134,752	11,997,247
Town of Neenah Construction Deposit	49,968	49,968
Total Long-Term Liabilities	<u>13,822,080</u>	<u>14,888,862</u>
Total Liabilities	15,199,351	16,158,032
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,913,951	4,024,002
Restricted	6,750,607	6,152,610
Unrestricted	<u>(31,083)</u>	<u>(31,083)</u>
Total Net Position	<u>\$ 9,633,475</u>	<u>\$ 10,145,529</u>

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
User Charges:		
Measured Service	\$ 3,097,054	\$ 3,104,687
Capital Charges	1,468,583	1,384,818
Depreciation Fund Charges	100,005	100,004
Replacement Fund Charges	778,009	778,007
Other	121,442	118,064
Total Operating Revenues	<u>5,565,093</u>	<u>5,485,580</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance	3,219,095	3,225,055
Depreciation	1,761,154	1,652,190
Depreciation Fund	20,631	7,285
Replacement Fund	-	2,457
Total Operating Expenses	<u>5,000,880</u>	<u>4,886,987</u>
<b>OPERATING INCOME</b>	564,213	598,593
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	39,303	105,211
Loss on Disposal of Capital Assets	(713,766)	-
Interest and Fiscal Charges	(401,804)	(429,067)
Total Nonoperating Revenues (Expenses)	<u>(1,076,267)</u>	<u>(323,856)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(512,054)	274,737
<b>CAPITAL CONTRIBUTIONS</b>	<u>-</u>	<u>45,190</u>
<b>CHANGE IN NET POSITION</b>	(512,054)	319,927
Net Position - January 1	<u>10,145,529</u>	<u>9,825,602</u>
<b>NET POSITION - DECEMBER 31</b>	<u>\$ 9,633,475</u>	<u>\$ 10,145,529</u>

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION  
 MENASHA, WISCONSIN  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 5,770,096	\$ 5,198,213
Cash Paid for Employee Wages and Benefits	(5,250)	(5,487)
Cash Paid to Suppliers	(3,262,693)	(3,205,760)
Net Cash Provided by Operating Activities	2,502,153	1,986,966
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(315,491)	(667,138)
Capital Contributions	-	45,190
Principal Paid on Long-Term Debt	(1,039,283)	(1,012,491)
Interest Paid on Long-Term Debt	(406,387)	(433,532)
Net Cash Used by Capital and Related Financing Activities	(1,761,161)	(2,067,971)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	39,303	105,734
 <b>CHANGE IN CASH AND INVESTMENTS</b>	780,295	24,729
Cash and Investments - January 1	6,116,018	6,091,289
 <b>CASH AND INVESTMENTS - DECEMBER 31</b>	\$ 6,896,313	\$ 6,116,018

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 564,213	\$ 598,593
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,761,154	1,652,190
Change in Operating Assets and Liabilities:		
Accounts Receivables	(17,401)	7,538
Due from Users	135,125	(177,315)
Due from Users - Year End Settlement	5,086	(5,086)
Prepaid Items	(21,114)	18,797
Refunds Due Users	82,193	(112,504)
Accounts Payable	(6,866)	(33,514)
Accounts Payable Related to Capital Asset Acquisitions	-	37,646
Accrued and Other Current Liabilities	(237)	621
Net Cash Provided by Operating Activities	\$ 2,502,153	\$ 1,986,966
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents in Current Assets	\$ 115,138	\$ 23,938
Cash and Cash Equivalents in Restricted Assets	6,781,175	6,092,080
Total Cash and Investments	\$ 6,896,313	\$ 6,116,018

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Neenah-Menasha Sewerage Commission, Menasha, Wisconsin (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Commission are described below:

**A. Reporting Entity**

The Neenah-Menasha Sewerage Commission (the Commission) was organized on September 30, 1982, under Section 66.0301 of the Wisconsin State Statutes to construct and operate wastewater transportation and treatment facilities. The Commission was not created for profit and no part of the net income or profits will be remitted or transferred to any private individual or any organization created for profit. Pursuant to contract, the Commission serves the City of Neenah, City of Menasha, Town of Neenah Sanitary District No. 2, Village of Fox Crossing Utility District, Harrison Utilities, and Sonoco/US Mills Corporation.

The Commission has seven members selected for three-year staggered terms. The Mayors of Neenah and Menasha each appoint two members of the Commission who must be confirmed by a majority vote of their respective Common Councils. The President of the Town of Neenah Sanitary District No. 2, the President of the Village of Fox Crossing Utility District, and the President of Harrison Utilities each appoint one member, with such appointment being confirmed by the governing bodies of those respective municipalities.

In accordance with GAAP, the financial statements are required to include the Commission and any separate component units that have a significant operational or financial relationship with the Commission. The Commission has not identified any component units that are required to be included in the financial statements in accordance with standards.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

**B. Enterprise Fund**

The accounts of the Commission are accounted for as an enterprise fund as required by GAAP. An enterprise fund is 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.

**C. Measurement Focus and Basis of Accounting**

The Commission's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 position.

An enterprise fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Commission are charges to municipalities for services recorded monthly on metered usage. Operating expenses include the costs 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 Commission's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

**1. Cash and Investments**

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

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

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

**2. 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 financial statements.

**3. 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 accounted for on the consumption method.

**4. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Commission 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 Commission are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20
Land Improvements	20
Improvements Other than Buildings	20 - 100
Machinery and Equipment	5 - 20

**5. Long-Term Obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

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

**6. Net Position**

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

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

**E. Use of Estimates**

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

**NOTE 2 STEWARDSHIP AND COMPLIANCE**

**A. Budgets and Budgetary Accounting**

The Commission prepares an annual budget for use as a guide to operations and to determine estimated amounts due from contracting municipalities and industry. Formal budgetary integration is not completed and, accordingly, the budget is not presented in the financial statements. The Commission follows these procedures in establishing the annual budget:

- ▶ Prior to September 30, the Commission must prepare a budget and formally present it at a public hearing. The budget includes an estimate of each contracting municipality and industry's annual charges payable to the Commission in the following year.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)**

**A. Budgets and Budgetary Accounting (Continued)**

- ▶ Each contracting municipality and industry agrees to include its estimated annual charges payable to the Commission in its budget for the following year. Each contracting municipality also agrees to adopt a local ordinance which provides for the recovery of its share of the Commission's annual charges from its users. To the extent that its share of the Commission's annual charges are not paid from user fees, each contracting municipality is required to otherwise provide for such payment by other means, including, but not limited to, its general fund or property tax levies.
- ▶ The Commission bills monthly, in advance, each contracting municipality and industry for its share of one-twelfth of the annual budget based on its proportionate use of the system. These monthly billings are due on the 10th of the month they are billed.
- ▶ The Commission refunds any operating surplus or charges back any operating deficit to the contracting municipalities and industry after each annual audit.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Commission maintains various cash and investment accounts which are 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 Commission's cash and investments totaled \$6,896,313 and \$6,116,018, respectively, on December 31, 2020 and 2019 as summarized below:

	2020	2019
Petty Cash and Cash on Hand	\$ 100	\$ 100
Deposits with Financial Institutions	2,138,276	1,542,973
Investments:		
Wisconsin Local Government Investment Pool	4,757,937	4,572,945
Total	\$ 6,896,313	\$ 6,116,018

**NEENAH-MENASHA SEWERAGE COMMISSION  
 MENASHA, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020 AND 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Reconciliation to the financial statements:

	2020	2019
Statement of Net Position		
Cash and Investments	\$ 115,138	\$ 23,938
Restricted Cash and Investments	6,781,175	6,092,080
Total	\$ 6,896,313	\$ 6,116,018

**Fair Value Measurements**

The Commission 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 Commission currently has no investments that are subject to fair value measurement.

Deposits and investments of the Commission are subject to various risks. Presented below is a discussion of the Commission'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. The Commission does not have an additional custodial credit policy.

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Custodial Credit Risk (Continued)**

Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020, \$191,057 of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits. As of December 31, 2019, none of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits.

**Investment in Wisconsin Local Government Investment Pool**

The Commission has investments in the Wisconsin Local Government Investment Pool of \$4,757,937 and \$4,572,945 at December 31, 2020 and 2019, respectively. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2020 and 2019, the fair value of the Commission's share of the LGIP's assets was substantially equal to the carrying value.

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

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin Local Government Investment Pool mature in 12 months or less.

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Restricted Assets**

Restricted assets totaled \$6,825,162 and \$6,222,633 on December 31, 2020 and 2019, respectively, and are held for the following purposes:

Funds	2020	2019	Purpose
Depreciation Fund	\$ 863,142	\$ 789,005	To be used for additions to and betterments of the sewerage treatment plant.
Bond Principal and Interest Redemption Fund	836,237	809,764	To be used for subsequent year payments of principal and interest on long-term debt.
DNR Equipment Replacement Fund	<u>5,125,783</u>	<u>4,623,864</u>	To be used for the replacement of certain assets of the sewerage treatment plant in accordance with Wisconsin Department of Natural Resources requirements.
Total	<u>\$ 6,825,162</u>	<u>\$ 6,222,633</u>	

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Nondepreciable:				
Land	\$ 228,046	\$ -	\$ 11,831	\$ 216,215
Construction in Progress	708,213	51,969	718,937	41,245
Total Capital Assets, Nondepreciable	<u>936,259</u>	<u>51,969</u>	<u>730,768</u>	<u>257,460</u>
Capital Assets, Depreciable:				
Land Improvements	156,114	-	-	156,114
Buildings	31,125,447	14,044	-	31,139,491
Improvements Other than Buildings	4,007,452	-	1,047,666	2,959,786
Machinery and Equipment	<u>16,362,059</u>	<u>978,511</u>	<u>153,876</u>	<u>17,186,694</u>
Subtotals	<u>51,651,072</u>	<u>992,555</u>	<u>1,201,542</u>	<u>51,442,085</u>
Less: Accumulated Depreciation for:				
Land Improvements	140,502	7,806	-	148,308
Buildings	20,205,536	961,879	-	21,167,415
Improvements Other than Buildings	1,466,229	40,075	345,730	1,160,574
Machinery and Equipment	<u>10,822,917</u>	<u>751,394</u>	<u>153,876</u>	<u>11,420,435</u>
Subtotals	<u>32,635,184</u>	<u>1,761,154</u>	<u>499,606</u>	<u>33,896,732</u>
Total Capital Assets, Depreciable, Net	<u>19,015,888</u>	<u>(768,599)</u>	<u>701,936</u>	<u>17,545,353</u>
Capital Assets, Net	<u>\$ 19,952,147</u>	<u>\$ (716,630)</u>	<u>\$ 1,432,704</u>	17,802,813
Less: Capital Related Debt				14,838,894
Less: Town of Neenah Construction Deposit				<u>49,968</u>
Net Investment in Capital Assets				<u>\$ 2,913,951</u>

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Nondepreciable:				
Land	\$ 228,046	\$ -	\$ -	\$ 228,046
Construction in Progress	202,201	550,052	44,040	708,213
Total Capital Assets, Nondepreciable	430,247	550,052	44,040	936,259
Capital Assets, Depreciable:				
Land Improvements	156,114	-	-	156,114
Buildings	31,125,447	-	-	31,125,447
Improvements Other than Buildings	4,007,452	-	-	4,007,452
Machinery and Equipment	16,244,665	123,480	6,086	16,362,059
Subtotals	51,533,678	123,480	6,086	51,651,072
Less: Accumulated Depreciation for:				
Land Improvements	132,696	7,806	-	140,502
Buildings	19,237,069	968,467	-	20,205,536
Improvements Other than Buildings	1,426,154	40,075	-	1,466,229
Machinery and Equipment	10,193,161	635,842	6,086	10,822,917
Subtotals	30,989,080	1,652,190	6,086	32,635,184
Total Capital Assets, Depreciable, Net	20,544,598	(1,528,710)	-	19,015,888
Capital Assets, Net	<u>\$ 20,974,845</u>	<u>\$ (978,658)</u>	<u>\$ 44,040</u>	19,952,147
Less: Capital Related Debt				15,878,177
Less: Town of Neenah Construction Deposit				49,968
Net Investment in Capital Assets				<u>\$ 4,024,002</u>

**D. Long-Term Obligations**

The Cities of Neenah and Menasha, Village of Fox Crossing and Harrison Utilities have issued Clean Water Fund bonds, which the Commission, as agent, has the responsibility for administering the proceeds and subsequent debt retirement. Accordingly, the Clean Water Fund bonds are reported as liabilities of the Commission in their annual financial report.

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Direct Borrowings - Clean					
Water Fund:					
General Obligation Bonds	\$ 3,040,672	\$ -	\$ 199,023	\$ 2,841,649	\$ 204,289
Revenue Bonds	12,837,505	-	840,260	11,997,245	862,493
Long-Term Obligations	<u>\$ 15,878,177</u>	<u>\$ -</u>	<u>\$ 1,039,283</u>	<u>\$ 14,838,894</u>	<u>\$ 1,066,782</u>

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Direct Borrowings - Clean Water Fund:					
General Obligation Bonds	\$ 3,234,563	\$ -	\$ 193,891	\$ 3,040,672	\$ 199,023
Revenue Bonds	13,656,105	-	818,600	12,837,505	840,260
Long-Term Obligations	<u>\$ 16,890,668</u>	<u>\$ -</u>	<u>\$ 1,012,491</u>	<u>\$ 15,878,177</u>	<u>\$ 1,039,283</u>

Total interest paid during the years ended December 31, 2020 and 2019 totaled \$406,387 and \$433,532, respectively.

**Clean Water Fund Bonds**

Clean water fund direct borrowings outstanding on December 31, 2020 and 2019 totaled \$14,838,894 and \$15,878,177, respectively, and were comprised of the following issues:

Authorizer	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20	Balance 12/31/19
<b>General Obligation Bonds:</b>						
Village of Fox Crossing	02/13/13	05/01/32	2.65%	\$ 3,288,363	\$ 2,276,287	\$ 2,435,714
Harrison Utilities	02/13/13	05/01/32	2.65%	816,732	565,362	604,958
Total Outstanding General Obligation Debt					<u>\$ 2,841,649</u>	<u>\$ 3,040,672</u>
<b>Revenue Bonds:</b>						
City of Neenah	02/13/13	05/01/32	2.65%	\$ 11,192,015	\$ 7,747,386	\$ 8,289,995
City of Menasha	02/13/13	05/01/32	2.65%	6,140,505	4,249,859	4,547,510
Total Outstanding Revenue Bonds					<u>\$ 11,997,245</u>	<u>\$ 12,837,505</u>

Annual principal and interest maturities of the outstanding clean water fund bonds of \$14,838,894 on December 31, 2020 are detailed below:

Year Ended December 31,	Direct Borrowings					
	General Obligation		Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 204,289	\$ 72,487	\$ 862,493	\$ 306,036	\$ 1,066,782	\$ 378,523
2022	209,694	67,010	885,315	282,913	1,095,009	349,923
2023	215,243	61,388	908,740	259,177	1,123,983	320,565
2024	220,938	55,618	932,785	234,814	1,153,723	290,432
2025	226,784	49,694	957,467	209,806	1,184,251	259,500
2026 - 2030	1,227,170	153,988	5,181,029	650,127	6,408,199	804,115
2031 - 2032	537,531	14,316	2,269,416	60,441	2,806,947	74,757
	<u>\$ 2,841,649</u>	<u>\$ 474,501</u>	<u>\$ 11,997,245</u>	<u>\$ 2,003,314</u>	<u>\$ 14,838,894</u>	<u>\$ 2,477,815</u>

**NEENAH-MENASHA SEWERAGE COMMISSION  
 MENASHA, WISCONSIN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020 AND 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Revenues Pledged**

The Commission, by agency agreement with issuing communities, has pledged future revenues to repay the Clean Water Fund bonds (revenue and general obligation). Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the system. The bonds are payable solely from Commission net revenues and are payable through 2032. Additional financial information for the years ended December 31, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Remaining Principal and Interest Payments	\$ 17,316,709	\$ 18,762,379
Principal and Interest Paid	1,445,670	1,446,023
Total Customer Net Revenues	2,325,367	2,250,783

**E. Fund Equity**

**Net Position**

The Commission reports restricted net position at December 31, 2020 and 2019 as follows:

	<u>12/31/20</u>	<u>12/31/19</u>
Restricted for:		
Plant Replacement	\$ 5,979,810	\$ 5,363,606
Debt Service	770,797	789,004
Total Restricted Net Position	<u>\$ 6,750,607</u>	<u>\$ 6,152,610</u>

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The Commission has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payment of premiums for these policies are recorded as expenses of the Commission.

Losses have not exceeded insurance coverage in the past three years.

**B. Contingencies**

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

**C. Subsequent Event**

On February 23, 2021, the Commission approved transferring ownership of interceptor sewers owned by the Commission to the City of Menasha.

**D. Risks and Uncertainties**

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations and local communities. Specific to the Commission, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the Commission is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of March 10, 2021.

**SUPPLEMENTARY INFORMATION**

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
SCHEDULE OF 2020 OPERATION AND MAINTENANCE EXPENSES – BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget	Actual	Variance with Budget - Positive (Negative)	2019
<b>OPERATIONS</b>				
Salaries and Wages	\$ 5,800	\$ 4,081	\$ 1,719	\$ 4,956
Employee Benefits	1,140	932	208	1,152
Professional Fees and Contracted Services	1,820,046	1,750,831	69,215	1,762,991
Power	480,000	509,567	(29,567)	462,277
Natural Gas	20,000	15,292	4,708	32,805
Stormwater Charges	7,200	7,148	52	7,168
Water	18,000	17,911	89	17,235
Public Fire Protection	4,600	4,153	447	4,528
Telephone	6,100	5,897	203	5,900
Chemicals:				
Polymer	117,600	132,540	(14,940)	173,657
Sodium Bisulfate	52,920	46,750	6,170	63,943
Chlorine	14,500	-	14,500	-
Salt	25,125	15,426	9,699	14,869
Aluminum Sulfate	73,500	42,126	31,374	11,019
Poly-Aluminum Chloride (Hyper Ion)	-	-	-	8,107
Miscellaneous	-	3,069	(3,069)	-
Sludge Disposal	196,275	185,332	10,943	211,098
Industrial Metering and Sampling	5,000	4,732	268	2,406
Lab Supplies	27,500	18,570	8,930	17,999
Other Operating Supplies	28,850	19,676	9,174	21,833
Transportation	6,000	4,844	1,156	5,338
Administration	65,400	59,308	6,092	63,632
Office Supplies	23,000	16,473	6,527	12,341
General Insurance	80,825	78,801	2,024	70,703
Total Operations	<u>3,079,381</u>	<u>2,943,459</u>	<u>135,922</u>	<u>2,975,957</u>
<b>MAINTENANCE</b>				
Equipment	134,500	124,172	10,328	127,085
General Plant	153,775	142,644	11,131	114,594
Cleaning Supplies	7,600	8,820	(1,220)	7,419
Total Maintenance	<u>295,875</u>	<u>275,636</u>	<u>20,239</u>	<u>249,098</u>
 Total Operation and Maintenance Expenses	 <u>\$ 3,375,256</u>	 <u>\$ 3,219,095</u>	 <u>\$ 156,161</u>	 <u>\$ 3,225,055</u>

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
CALCULATION OF PAYABLE (RECEIVABLE) FROM USERS FOR 2020 OPERATIONS  
DECEMBER 31, 2020**

	Total	City of Neenah	City of Menasha	Town of Neenah S.D. 2	Fox Crossing Utility District	Harrison Utilities	Sonoco - US Mills, Inc.
Revenues Received During Year for 2020 Operation and Maintenance	\$ 4,128,722	\$ 1,808,303	\$ 633,395	\$ 38,550	\$ 549,542	\$ 183,872	\$ 915,060
Percentage of Net Expenses Allocated for 2020 <sup>(1)</sup>	100.00%	43.70%	15.38%	0.94%	13.33%	4.50%	22.15%
Actual Operation and Maintenance Expenses	\$ 3,219,095						
Deposit to Depreciation Fund	100,005						
Deposit to Replacement Fund	778,009						
Less:							
MCO Income Sharing	35,679						
Industrial Metering and Sampling	3,611						
WPPI Standby Service	57,310						
Pretreatment Administrative Fes	5,400						
Pretreatment Permit Fees	19,700						
Other Operating Revenues	(258)						
Interest Income	599						
Net Expenditures Allocated for 2020*	3,975,068	1,737,009	611,326	37,505	529,816	179,065	880,347
Payable (Receivable) from Users - December 31	\$ 153,654	\$ 71,294	\$ 22,069	\$ 1,045	\$ 19,726	\$ 4,807	\$ 34,713

This summary is prepared from the Commission's analysis of flow, BOD, and suspended solids from each user.

* Measured Service to Municipalities and Industries	\$ 3,097,054
Deposit to Depreciation Fund	100,005
Deposit to Replacement Fund	778,009
Net 2020 Allocated Expenses	\$ 3,975,068

<sup>(1)</sup> Net expenditures allocated for 2020 may differ slightly from the percentages based on rounding.

**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 PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Commissioners  
Neenah-Menasha Sewerage Commission  
Menasha, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Neenah-Menasha Sewerage Commission, Wisconsin, (the Commission) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated March 10, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission'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*.

### **Neenah-Menasha Sewerage Commission's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
March 10, 2021

**NEENAH-MENASHA SEWERAGE COMMISSION  
MENASHA, WISCONSIN  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2020**

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**Section I – Internal Control Over Financial Reporting**

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<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2020-001	<b>Segregation of Duties</b>
Type of Finding:	Material Weakness in Financial Reporting Repeat of Finding 2019-001
Condition:	The Neenah-Menasha Sewerage Commission has one individual essentially complete all financial and recordkeeping duties of the Commission's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place in order to properly segregate duties.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the size of Commission's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by the Commissioners or other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Commissioners continue to monitor the transactions and the financial records of the Commission.
Management Response:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

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**Section II – Compliance and Other Matters**

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