

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020



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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Neenah-Menasha Sewerage Commission (the Commission) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Neenah-Menasha Sewerage Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Commission'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 opinion. 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 Commission'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 Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

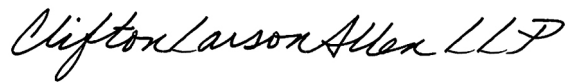
consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The calculation of payable (receivable) from users for 2021 operations and the schedule of 2021 operation and maintenance expenses- budget and actual with comparative actual amounts for 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the calculation of payable (receivable) from users for 2021 operations and the schedule of 2021 operation and maintenance expenses- budget and actual with comparative actual amounts for 2020, are fairly stated, in all material respects, in relation to the basic 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 May 3, 2022, 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 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 Commission'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 Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
May 3, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Neenah-Menasha Sewerage Commission

Menasha, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

Financial Highlights

- The assets of the Commission exceeded its liabilities as of December 31, 2021 and 2020 by \$9,430,705 and \$9,633,475, respectively (*net position*).
- The Commission's total net position decreased for the year ended December 31, 2021 by \$202,770 and decreased for the year ended December 31, 2020 by \$512,054. 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 \$394,743 and \$694,375, respectively. Depreciation expense decreased in 2021 compared to 2020. For the years ended December 31, 2021 and 2020, there was a \$597,567 and \$713,766 loss on disposal of capital assets, respectively.
 3. Commission users contribute to equipment replacement and depreciation funds for replacement or significant repairs to existing equipment. For the years ended December 31, 2021 and 2020, charges exceeded depreciation and equipment maintenance costs by \$781,155 and \$857,383, respectively.
- The Commission's total long-term debt decreased by \$1,066,782 and \$1,039,283 during 2021 and 2020 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, 2021 AND 2020

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:

Neenah-Menasha Sewerage Commission's Net Position			
	2021	2020	2019
Current and other assets	\$ 350,285	\$ 204,851	\$ 128,781
Restricted assets	6,873,511	6,825,162	6,222,633
Capital assets	<u>16,480,108</u>	<u>17,802,813</u>	<u>19,952,147</u>
Total assets	<u>23,703,904</u>	<u>24,832,826</u>	<u>26,303,561</u>
Long-term liabilities outstanding	13,822,080	14,888,862	15,928,145
Other liabilities	451,119	310,489	229,887
Total liabilities	<u>14,273,199</u>	<u>15,199,351</u>	<u>16,158,032</u>
Net position			
Net investment in capital assets	2,658,028	2,913,951	4,024,002
Restricted	6,803,760	6,750,607	6,152,610
Unrestricted	<u>(31,083)</u>	<u>(31,083)</u>	<u>(31,083)</u>
Total net position	<u>\$ 9,430,705</u>	<u>\$ 9,633,475</u>	<u>\$ 10,145,529</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 and 2021, 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, 2021 AND 2020

Change in net position. A summary of changes in net position for the years ended December 31, 2021, 2020 and 2019 follows:

Neenah-Menasha Sewerage Commission's Change in Net Position			
	2021	2020	2019
Operating Revenues			
User charges			
Measured service	\$ 3,106,934	\$ 3,097,054	\$ 3,104,687
Capital charges	1,459,428	1,468,583	1,384,818
Depreciation fund charges	100,007	100,005	100,004
Replacement fund charges	778,013	778,009	778,007
Other charges	147,111	121,442	118,064
Total operating revenues	<u>5,591,493</u>	<u>5,565,093</u>	<u>5,485,580</u>
Operating Expenses			
Operation and maintenance	3,254,129	3,219,095	3,225,055
Depreciation	1,480,352	1,761,154	1,652,190
Depreciation fund	96,865	20,631	7,285
Replacement fund	2,230	-	2,457
Total operating expenses	<u>4,833,576</u>	<u>5,000,880</u>	<u>4,886,987</u>
Operating income (loss)	757,917	564,213	598,593
Nonoperating revenues (expenses)	<u>(960,687)</u>	<u>(1,076,267)</u>	<u>(323,856)</u>
Net income (loss)	(202,770)	(512,054)	274,737
Capital contributions	-	-	45,190
Change in net position	<u>(202,770)</u>	<u>(512,054)</u>	<u>319,927</u>
Net position - beginning balance	<u>9,633,475</u>	<u>10,145,529</u>	<u>9,825,602</u>
Net position - ending balance	<u>\$ 9,430,705</u>	<u>\$ 9,633,475</u>	<u>\$ 10,145,529</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, 2021 AND 2020

Neenah-Menasha Sewerage Commission, Wisconsin's Capital Assets (net of accumulated depreciation)			
	2021	2020	2019
Land	\$ 216,215	\$ 216,215	\$ 228,046
Land improvements	-	7,806	15,612
Buildings	9,597,864	9,972,076	10,919,911
Improvements other than buildings	1,454,888	1,799,212	2,541,223
Machinery and equipment	5,211,141	5,766,259	5,539,142
Construction in progress	-	41,245	708,213
Total	\$ 16,480,108	\$ 17,802,813	\$ 19,952,147

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:

Neenah-Menasha Sewerage Commission, Wisconsin's Outstanding Debt Clean Water Fund Debt			
	2021	2020	2019
Clean Water Fund Debt			
Revenue bonds	\$ 11,134,752	\$ 11,997,245	\$ 12,837,505
General obligation notes	2,637,360	2,841,649	3,040,672
Total	\$ 13,772,112	\$ 14,838,894	\$ 15,878,177

Economic Factors and Next Year's Budgets and Rates

The 2021 net operation and maintenance budget increased 0.4%, 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 4.2%.

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, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets:		
Cash and Investments	\$ 230,143	\$ 115,138
Receivables:		
Accounts	1,509	18,000
Due from Users	93,913	50,599
Prepaid Items	24,720	21,114
Total Current Assets	350,285	204,851
Noncurrent Assets:		
Restricted Assets:		
Cash and Investments	6,801,910	6,781,175
Due from Users	71,601	43,987
Total Restricted Assets	6,873,511	6,825,162
Capital Assets:		
Nondepreciable	216,215	257,460
Depreciable, Net	16,263,893	17,545,353
Net Capital Assets	16,480,108	17,802,813
Total Assets	23,703,904	24,832,826

See accompanying Notes to Basic Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 109,466	\$ 80,702
Due to Users - Year-End Settlement	271,263	153,654
Accrued and Other Current Liabilities	655	598
Payable from Restricted Assets		
Accounts Payable	9,000	10,095
Current Portion of Long-Term Debt - General Obligation Bonds	209,694	204,289
Current Portion of Long-Term Debt - Revenue Bonds	885,315	862,493
Accrued Interest	60,735	65,440
Total Current Liabilities	<u>1,546,128</u>	<u>1,377,271</u>
Long-Term Obligations:		
General Obligation Bonds, Less Current Portion	2,427,665	2,637,360
Revenue Bonds, Less Current Portion	10,249,438	11,134,752
Town of Neenah Construction Deposit	49,968	49,968
Total Long-Term Liabilities	<u>12,727,071</u>	<u>13,822,080</u>
Total Liabilities	14,273,199	15,199,351
NET POSITION		
Net Investment in Capital Assets	2,658,028	2,913,951
Restricted		
Plant Replacement	6,013,743	5,979,810
Debt Service	790,017	770,797
Unrestricted	<u>(31,083)</u>	<u>(31,083)</u>
Total Net Position	<u>\$ 9,430,705</u>	<u>\$ 9,633,475</u>

See accompanying Notes to Basic Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
User Charges:		
Measured Service	\$ 3,106,934	\$ 3,097,054
Capital Charges	1,459,428	1,468,583
Depreciation Fund Charges	100,007	100,005
Replacement Fund Charges	778,013	778,009
Other	147,111	121,442
Total Operating Revenues	5,591,493	5,565,093
OPERATING EXPENSES		
Operation and Maintenance	3,254,129	3,219,095
Depreciation	1,480,352	1,761,154
Depreciation Fund	96,865	20,631
Replacement Fund	2,230	-
Total Operating Expenses	4,833,576	5,000,880
OPERATING INCOME	757,917	564,213
NONOPERATING REVENUES (EXPENSES)		
Interest Income	10,699	39,303
Loss on Disposal of Capital Assets	(597,567)	(713,766)
Interest and Fiscal Charges	(373,819)	(401,804)
Total Nonoperating Revenues (Expenses)	(960,687)	(1,076,267)
CHANGE IN NET POSITION	(202,770)	(512,054)
Net Position - January 1	9,633,475	10,145,529
NET POSITION - DECEMBER 31	\$ 9,430,705	\$ 9,633,475

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
 MENASHA, WISCONSIN
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 5,654,665	\$ 5,770,096
Cash Paid for Employee Wages and Benefits	(4,836)	(5,250)
Cash Paid to Suppliers	(3,323,173)	(3,262,693)
Net Cash Provided by Operating Activities	2,326,656	2,502,153
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(756,309)	(315,491)
Principal Paid on Long-Term Debt	(1,066,782)	(1,039,283)
Interest Paid on Long-Term Debt	(378,524)	(406,387)
Net Cash Used by Capital and Related Financing Activities	(2,201,615)	(1,761,161)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	10,699	39,303
 CHANGE IN CASH AND INVESTMENTS	135,740	780,295
Cash and Investments - January 1	6,896,313	6,116,018
 CASH AND INVESTMENTS - DECEMBER 31	\$ 7,032,053	\$ 6,896,313

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 757,917	\$ 564,213
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,480,352	1,761,154
Change in Operating Assets and Liabilities:		
Accounts Receivables	16,491	(17,401)
Due from Users	(70,928)	135,125
Due from Users - Year-End Settlement	-	5,086
Prepaid Items	(3,606)	(21,114)
Due to Users - Year-End Settlement	117,609	82,193
Accounts Payable	28,764	(6,866)
Accrued and Other Current Liabilities	57	(237)
Net Cash Provided by Operating Activities	\$ 2,326,656	\$ 2,502,153
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 230,143	\$ 115,138
Cash and Cash Equivalents in Restricted Assets	6,801,910	6,781,175
Total Cash and Investments	\$ 7,032,053	\$ 6,896,313

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 \$7,032,053 and \$6,896,313, respectively, on December 31, 2021 and 2020 as summarized below:

	2021	2020
Petty Cash and Cash on Hand	\$ 100	\$ 100
Deposits with Financial Institutions	1,800,603	2,138,276
Investments:		
Wisconsin Local Government Investment Pool	5,231,350	4,757,937
Total	\$ 7,032,053	\$ 6,896,313

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Reconciliation to the financial statements:

	2021	2020
Statement of Net Position		
Cash and Investments	\$ 230,143	\$ 115,138
Restricted Cash and Investments	6,801,910	6,781,175
Total	\$ 7,032,053	\$ 6,896,313

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021, none of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits. 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.

Investment in Wisconsin Local Government Investment Pool

The Commission has investments in the Wisconsin Local Government Investment Pool of \$5,231,350 and \$4,757,937 at December 31, 2021 and 2020, 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, 2021 and 2020, 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. As of December 31, 2021, the Wisconsin Local Government Investment Pool had a weighted average maturity of 74 days.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Restricted Assets

Restricted assets totaled \$6,873,511 and \$6,825,162 on December 31, 2021 and 2020, respectively, and are held for the following purposes:

Funds	2021	2020	Purpose
Depreciation Fund	\$ 191,896	\$ 863,142	To be used for additions to and betterments of the sewerage treatment plant.
Bond Principal and Interest Redemption Fund	850,752	836,237	To be used for subsequent year payments of principal and interest on long-term debt.
DNR Equipment Replacement Fund	<u>5,830,863</u>	<u>5,125,783</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>\$ 6,873,511</u>	<u>\$ 6,825,162</u>	

C. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 216,215	\$ -	\$ -	\$ 216,215
Construction in Progress	41,245	-	41,245	-
Total Capital Assets, Nondepreciable	<u>257,460</u>	-	41,245	<u>216,215</u>
Capital Assets, Depreciable:				
Land Improvements	156,114	-	-	156,114
Buildings	31,139,491	664,690	465,110	31,339,071
Improvements Other than Buildings	2,959,786	-	755,410	2,204,376
Machinery and Equipment	17,186,694	131,769	3,551	17,314,912
Subtotals	<u>51,442,085</u>	<u>796,459</u>	<u>1,224,071</u>	<u>51,014,473</u>
Less: Accumulated Depreciation for:				
Land Improvements	148,308	7,805	-	156,113
Buildings	21,167,415	759,837	186,044	21,741,208
Improvements Other than Buildings	1,160,574	25,819	436,905	749,488
Machinery and Equipment	11,420,435	686,891	3,555	12,103,771
Subtotals	<u>33,896,732</u>	<u>1,480,352</u>	<u>626,504</u>	<u>34,750,580</u>
Total Capital Assets, Depreciable, Net	<u>17,545,353</u>	<u>(683,893)</u>	<u>597,567</u>	<u>16,263,893</u>
Capital Assets, Net	<u>\$ 17,802,813</u>	<u>\$ (683,893)</u>	<u>\$ 638,812</u>	<u>16,480,108</u>
Less: Capital Related Debt				13,772,112
Less: Town of Neenah Construction Deposit				<u>49,968</u>
Net Investment in Capital Assets				<u>\$ 2,658,028</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
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	936,259	51,969	730,768	257,460
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	16,362,059	978,511	153,876	17,186,694
Subtotals	51,651,072	992,555	1,201,542	51,442,085
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	10,822,917	751,394	153,876	11,420,435
Subtotals	32,635,184	1,761,154	499,606	33,896,732
Total Capital Assets, Depreciable, Net	19,015,888	(768,599)	701,936	17,545,353
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				49,968
Net Investment in Capital Assets				<u>\$ 2,913,951</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, 2021 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowings - Clean Water Fund:					
General Obligation Bonds	\$ 2,841,649	\$ -	\$ 204,289	\$ 2,637,360	\$ 209,694
Revenue Bonds	11,997,245	-	862,493	11,134,752	885,315
Long-Term Obligations	<u>\$ 14,838,894</u>	<u>\$ -</u>	<u>\$ 1,066,782</u>	<u>\$ 13,772,112</u>	<u>\$ 1,095,009</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
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>

Total interest paid during the years ended December 31, 2021 and 2020 totaled \$378,524 and \$406,387, respectively.

Clean Water Fund Bonds

Clean water fund direct borrowings outstanding on December 31, 2021 and 2020 totaled \$13,772,112 and \$14,838,894, respectively, and were comprised of the following issues:

Authorizer	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21	Balance 12/31/20
General Obligation Bonds:						
Village of Fox Crossing	02/13/13	05/01/32	2.65%	\$ 3,288,363	\$ 2,112,642	\$ 2,276,287
Harrison Utilities	02/13/13	05/01/32	2.65%	816,732	524,718	565,362
Total Outstanding General Obligation Debt					<u>\$ 2,637,360</u>	<u>\$ 2,841,649</u>
Revenue Bonds:						
City of Neenah	02/13/13	05/01/32	2.65%	\$ 11,192,015	\$ 7,190,419	\$ 7,747,386
City of Menasha	02/13/13	05/01/32	2.65%	6,140,505	3,944,333	4,249,859
Total Outstanding Revenue Bonds					<u>\$ 11,134,752</u>	<u>\$ 11,997,245</u>

Annual principal and interest maturities of the outstanding clean water fund bonds of \$13,772,112 on December 31, 2021 are detailed below:

Year Ended December 31,	Direct Borrowings				Totals	
	General Obligation		Revenue Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
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	232,785	43,614	982,802	184,136	1,215,587	227,750
2027 - 2031	1,259,641	121,088	5,318,120	511,223	6,577,761	632,311
2032	272,275	3,602	1,149,523	15,208	1,421,798	18,810
	<u>\$ 2,637,360</u>	<u>\$ 402,014</u>	<u>\$ 11,134,752</u>	<u>\$ 1,697,277</u>	<u>\$ 13,772,112</u>	<u>\$ 2,099,291</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The Commission's outstanding notes from direct borrowings of \$13,772,112 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 Commission 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.

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, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Remaining Principal and Interest Payments	\$ 15,871,403	\$ 17,316,709
Principal and Interest Paid	1,445,306	1,445,670
Total Customer Net Revenues	2,238,273	2,325,367

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.

Settlements 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.

SUPPLEMENTARY INFORMATION

**NEENAH-MENASHA SEWERAGE COMMISSION
 MENASHA, WISCONSIN
 SCHEDULE OF 2021 OPERATION AND MAINTENANCE EXPENSES – BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget	Actual	Variance with Budget - Positive (Negative)	2020
OPERATIONS				
Salaries and Wages	\$ 5,000	\$ 3,948	\$ 1,052	\$ 4,081
Employee Benefits	1,079	945	134	932
Professional Fees and Contracted Services	1,816,250	1,768,310	47,940	1,750,831
Power	505,600	474,153	31,447	509,567
National Gas	21,825	75,785	(53,960)	15,292
Stormwater Charges	7,200	8,210	(1,010)	7,148
Water	17,640	16,225	1,415	17,911
Public Fire Protection	4,600	4,502	98	4,153
Telephone	6,000	10,542	(4,542)	5,897
Chemicals:				
Ferric Chloride	-	449	(449)	-
Polymer	147,000	135,354	11,646	132,540
Sodium Bisulfate	55,500	50,600	4,900	46,750
Chlorine	-	3,703	(3,703)	-
Salt	20,525	21,289	(764)	15,426
Aluminum Sulfate	71,500	45,824	25,676	42,126
Miscellaneous	-	-	-	3,069
Sludge Disposal	239,600	185,690	53,910	185,332
Industrial Metering and Sampling	3,000	2,791	209	4,732
Lab Supplies	23,500	19,645	3,855	18,570
Other Operating Supplies	28,350	18,165	10,185	19,676
Transportation	5,500	4,273	1,227	4,844
Administration	64,100	57,569	6,531	59,308
Office Supplies	22,800	23,254	(454)	16,473
General Insurance	84,670	82,807	1,863	78,801
Total Operations	<u>3,151,239</u>	<u>3,014,033</u>	<u>137,206</u>	<u>2,943,459</u>
MAINTENANCE				
Equipment	127,000	81,561	45,439	124,172
General Plant	159,750	152,045	7,705	142,644
Cleaning Supplies	11,000	6,490	4,510	8,820
Total Maintenance	<u>297,750</u>	<u>240,096</u>	<u>57,654</u>	<u>275,636</u>
 Total Operation and Maintenance Expenses	 <u>\$ 3,448,989</u>	 <u>\$ 3,254,129</u>	 <u>\$ 194,860</u>	 <u>\$ 3,219,095</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
CALCULATION OF PAYABLE (RECEIVABLE) FROM USERS FOR 2021 OPERATIONS
DECEMBER 31, 2021**

	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 2021 Operation and Maintenance	\$ 4,256,217	\$ 1,956,489	\$ 666,387	\$ 43,320	\$ 558,269	\$ 196,960	\$ 834,792
Percentage of Net Expenses Allocated for 2021 ⁽¹⁾	100.00%	45.96%	15.60%	1.03%	13.25%	4.65%	19.51%
Actual Operation and Maintenance Expenses	\$ 3,254,129						
Deposit to Depreciation Fund	100,007						
Deposit to Replacement Fund	778,013						
Less:							
MCO Income Sharing	79,182						
Industrial Metering and Sampling	3,515						
WPPI Standby Service	56,976						
Pretreatment Administrative Fes	5,400						
Pretreatment Permit Fees	100						
Other Operating Revenues	1,938						
Interest Income	84						
Net Expenditures Allocated for 2021*	3,984,954	1,831,452	621,607	40,976	527,859	185,460	777,600
Payable (Receivable) from Users - December 31	\$ 271,263	\$ 125,037	\$ 44,780	\$ 2,344	\$ 30,410	\$ 11,500	\$ 57,192

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

* Measured Service to Municipalities and Industries	\$ 3,106,934
Deposit to Depreciation Fund	100,007
Deposit to Replacement Fund	778,013
Net 2021 Allocated Expenses	\$ 3,984,954

⁽¹⁾ Net expenditures allocated for 2021 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 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 Neenah-Menasha Sewerage Commission, Wisconsin, (the Commission) as of and for the year ended December 31, 2021, and the related notes to the financial statements and have issued our report thereon dated May 3, 2022.

Report on 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 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Commission'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 the response.

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
May 3, 2022

**NEENAH-MENASHA SEWERAGE COMMISSION
 MENASHA, WISCONSIN
 SCHEDULE OF FINDINGS AND RESPONSES
 YEAR ENDED DECEMBER 31, 2021**

Internal Control Over Financial Reporting

FINDING NO.	CONTROL DEFICIENCIES
2021-001	Segregation of Duties
Type of Finding:	Material Weakness in Financial Reporting Repeat of Finding 2020-001
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.
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.
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.
Views of Responsible Officials:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.