

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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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, 2022 and 2021, 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, 2022 and 2021, and the changes in financial position and its cash flows for the years 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 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

Commissioners
Neenah-Menasha Sewerage Commission

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 2022 operations and the schedule of 2022 operation and maintenance expenses- budget and actual with comparative actual amounts for 2021, 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 2022 operations and the schedule of 2022 operation and maintenance expenses- budget and actual with comparative actual amounts for 2021 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 March 13, 2023, 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
March 13, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Neenah-Menasha Sewerage Commission

Menasha, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

Financial Highlights

- The assets of the Commission exceeded its liabilities as of December 31, 2022 and 2021 by \$10,094,180 and \$9,43,705, respectively (*net position*).
- The Commission's total net position increased for the year ended December 31, 2022 by \$663,475 and decreased for the year ended December 31, 2021 by \$202,770. 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 \$396,900 and \$394,743, respectively. Depreciation expense increased in 2022 compared to 2021. For the year ended December 31, 2021, there was a \$597,567 loss on disposal of capital assets, there was no loss in 2022.
 3. Commission users contribute to equipment replacement and depreciation funds for replacement or significant repairs to existing equipment. For the years ended December 31, 2022 and 2021, charges exceeded depreciation and equipment maintenance costs by \$963,794 and \$781,155, respectively.
- The Commission's total long-term debt decreased by \$1,095,009 and \$1,066,782 during 2022 and 2021 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, 2022 AND 2021

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			
	2022	2021	2020
Current and other assets	\$ 229,816	\$ 350,285	\$ 204,851
Restricted assets	7,337,943	6,873,511	6,825,162
Capital assets	<u>15,423,745</u>	<u>16,480,108</u>	<u>17,802,813</u>
Total assets	<u>22,991,504</u>	<u>23,703,904</u>	<u>24,832,826</u>
Long-term liabilities outstanding	12,727,071	13,822,080	14,888,862
Other liabilities	<u>170,253</u>	<u>451,119</u>	<u>310,489</u>
Total liabilities	<u>12,897,324</u>	<u>14,273,199</u>	<u>15,199,351</u>
Net position			
Net investment in capital assets	2,696,674	2,658,028	2,913,951
Restricted	7,428,589	6,803,760	6,750,607
Unrestricted	<u>(31,083)</u>	<u>(31,083)</u>	<u>(31,083)</u>
Total net position	<u>\$ 10,094,180</u>	<u>\$ 9,430,705</u>	<u>\$ 9,633,475</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 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, 2022 AND 2021

Change in net position. A summary of changes in net position for the years ended December 31, 2022, 2021 and 2020 follows:

Neenah-Menasha Sewerage Commission's Change in Net Position			
	2022	2021	2020
Operating Revenues			
User charges			
Measured service	\$ 3,327,055	\$ 3,106,934	\$ 3,097,054
Capital charges	1,459,428	1,459,428	1,468,583
Depreciation fund charges	200,001	100,007	100,005
Replacement fund charges	778,003	778,013	778,009
Other charges	99,027	147,111	121,442
Total operating revenues	5,863,514	5,591,493	5,565,093
Operating Expenses			
Operation and maintenance	3,426,914	3,254,129	3,219,095
Depreciation	1,506,405	1,480,352	1,761,154
Depreciation fund	14,210	96,865	20,631
Replacement fund	10,650	2,230	-
Total operating expenses	4,958,179	4,833,576	5,000,880
Operating income (loss)	905,335	757,917	564,213
Nonoperating revenues (expenses)	(241,860)	(960,687)	(1,076,267)
Net income (loss)	663,475	(202,770)	(512,054)
Net position - beginning balance	9,430,705	9,633,475	10,145,529
Net position - ending balance	\$ 10,094,180	\$ 9,430,705	\$ 9,633,475

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, 2022 AND 2021

Neenah-Menasha Sewerage Commission, Wisconsin's Capital Assets (net of accumulated depreciation)			
	2022	2021	2020
Land	\$ 216,215	\$ 216,215	\$ 216,215
Land improvements	1	-	7,806
Buildings	9,054,979	9,597,864	9,972,076
Improvements other than buildings	1,432,844	1,454,888	1,799,212
Machinery and equipment	4,719,706	5,211,141	5,766,259
Construction in progress	-	-	41,245
Total	\$ 15,423,745	\$ 16,480,108	\$ 17,802,813

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			
	2022	2021	2020
Clean Water Fund Debt			
Revenue bonds	\$ 10,249,437	\$ 11,134,752	\$ 11,997,245
General obligation notes	2,427,666	2,637,360	2,841,649
Total	\$ 12,677,103	\$ 13,772,112	\$ 14,838,894

Economic Factors and Next Year's Budgets and Rates

The 2023 net operation and maintenance budget increased 7.8%, 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 1.8%.

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, 2022 AND 2021**

	2022	2021
ASSETS		
Current Assets:		
Cash and Investments	\$ 100	\$ 230,143
Receivables:		
Accounts	1,873	1,509
Due from Users	46,653	93,913
Due from Users - Year-End Settlement	181,075	-
Prepaid Items	115	24,720
Total Current Assets	229,816	350,285
Noncurrent Assets:		
Restricted Assets:		
Cash and Investments	7,302,502	6,801,910
Due from Users	35,441	71,601
Total Restricted Assets	7,337,943	6,873,511
Capital Assets:		
Nondepreciable	216,215	216,215
Depreciable, Net	15,207,530	16,263,893
Net Capital Assets	15,423,745	16,480,108
Total Assets	22,991,504	23,703,904

See accompanying Notes to Basic Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021**

	2022	2021
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 108,360	\$ 109,466
Due to Users - Year-End Settlement	-	271,263
Accrued and Other Current Liabilities	136	655
Payable from Restricted Assets		
Accounts Payable	1,022	9,000
Current Portion of Long-Term Debt - General Obligation Bonds	215,243	209,694
Current Portion of Long-Term Debt - Revenue Bonds	908,740	885,315
Accrued Interest	60,735	60,735
Total Current Liabilities	1,294,236	1,546,128
Long-Term Obligations:		
General Obligation Bonds, Less Current Portion	2,212,423	2,427,665
Revenue Bonds, Less Current Portion	9,340,697	10,249,438
Town of Neenah Construction Deposit	49,968	49,968
Total Long-Term Liabilities	11,603,088	12,727,071
Total Liabilities	12,897,324	14,273,199
NET POSITION		
Net Investment in Capital Assets	2,696,674	2,658,028
Restricted		
Plant Replacement	6,616,527	6,013,743
Debt Service	812,062	790,017
Unrestricted	(31,083)	(31,083)
Total Net Position	\$ 10,094,180	\$ 9,430,705

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, 2022 AND 2021**

	2022	2021
OPERATING REVENUES		
User Charges:		
Measured Service	\$ 3,327,055	\$ 3,106,934
Capital Charges	1,459,428	1,459,428
Depreciation Fund Charges	200,001	100,007
Replacement Fund Charges	778,003	778,013
Other	99,027	147,111
Total Operating Revenues	5,863,514	5,591,493
 OPERATING EXPENSES		
Operation and Maintenance	3,426,914	3,254,129
Depreciation	1,506,405	1,480,352
Depreciation Fund	14,210	96,865
Replacement Fund	10,650	2,230
Total Operating Expenses	4,958,179	4,833,576
 OPERATING INCOME	905,335	757,917
 NONOPERATING REVENUES (EXPENSES)		
Interest Income	108,063	10,699
Loss on Disposal of Capital Assets	-	(597,567)
Interest and Fiscal Charges	(349,923)	(373,819)
Total Nonoperating Revenues (Expenses)	(241,860)	(960,687)
 CHANGE IN NET POSITION	663,475	(202,770)
Net Position - January 1	9,430,705	9,633,475
 NET POSITION - DECEMBER 31	\$ 10,094,180	\$ 9,430,705

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
 MENASHA, WISCONSIN
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 5,494,232	\$ 5,654,665
Cash Paid for Employee Wages and Benefits	(6,434)	(4,836)
Cash Paid to Suppliers	(3,422,360)	(3,323,173)
Net Cash Provided by Operating Activities	2,065,438	2,326,656
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(458,020)	(756,309)
Principal Paid on Long-Term Debt	(1,095,009)	(1,066,782)
Interest Paid on Long-Term Debt	(349,923)	(378,524)
Net Cash Used by Capital and Related Financing Activities	(1,902,952)	(2,201,615)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	108,063	10,699
 CHANGE IN CASH AND INVESTMENTS	270,549	135,740
Cash and Investments - January 1	7,032,053	6,896,313
 CASH AND INVESTMENTS - DECEMBER 31	\$ 7,302,602	\$ 7,032,053

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 905,335	\$ 757,917
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,506,405	1,480,352
Change in Operating Assets and Liabilities:		
Accounts Receivables	(364)	16,491
Due from Users	83,420	(70,928)
Due from Users - Year-End Settlement	(181,075)	-
Prepaid Items	24,605	(3,606)
Due to Users - Year-End Settlement	(271,263)	117,609
Accounts Payable	(1,106)	28,764
Accrued and Other Current Liabilities	(519)	57
Net Cash Provided by Operating Activities	\$ 2,065,438	\$ 2,326,656
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 100	\$ 230,143
Cash and Cash Equivalents in Restricted Assets	7,302,502	6,801,910
Total Cash and Investments	\$ 7,302,602	\$ 7,032,053

See accompanying Notes to Financial Statements.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 AND 2021**

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 \$7,302,602 and \$7,032,053, respectively, on December 31, 2022 and 2021 as summarized below:

	2022	2021
Petty Cash and Cash on Hand	\$ 100	\$ 100
Deposits with Financial Institutions	1,318,722	1,800,603
Investments:		
Wisconsin Local Government Investment Pool	5,983,780	5,231,350
Total	\$ 7,302,602	\$ 7,032,053

**NEENAH-MENASHA SEWERAGE COMMISSION
 MENASHA, WISCONSIN
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Reconciliation to the financial statements:

	2022	2021
Statement of Net Position		
Cash and Investments	\$ 100	\$ 230,143
Restricted Cash and Investments	7,302,502	6,801,910
Total	\$ 7,302,602	\$ 7,032,053

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, 2022 AND 2021**

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, 2022 and 2021, 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 \$5,983,780 and \$5,231,350 at December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022, the Wisconsin Local Government Investment Pool had a weighted average maturity of 15 days.

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Restricted Assets

Restricted assets totaled \$7,337,943 and \$6,873,511 on December 31, 2022 and 2021, respectively, and are held for the following purposes:

Funds	2022	2021	Purpose
Depreciation Fund	\$ 126,402	\$ 191,896	To be used for additions to and betterments of the sewerage treatment plant.
Bond Principal and Interest Redemption Fund	872,797	850,752	To be used for subsequent year payments of principal and interest on long-term debt.
DNR Equipment Replacement Fund	6,491,163	5,830,863	To be used for the replacement of certain assets of the sewerage treatment plant in accordance with Wisconsin Department of Natural Resources requirements.
Less: Cash Temporarily Borrowed to Finance Operating Expenses	<u>(152,419)</u>	<u>-</u>	
Total	<u>\$ 7,337,943</u>	<u>\$ 6,873,511</u>	

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Nondepreciable:				
Land	216,215	-	-	216,215
Capital Assets, Depreciable:				
Land Improvements	156,114	-	-	156,114
Buildings	31,339,071	263,685	38,900	31,563,856
Improvements Other than Buildings	2,204,376	-	-	2,204,376
Machinery and Equipment	17,314,912	186,357	3,168	17,498,101
Subtotals	<u>51,014,473</u>	<u>450,042</u>	<u>42,068</u>	<u>51,422,447</u>
Less: Accumulated Depreciation for:				
Land Improvements	156,113	-	-	156,113
Buildings	21,741,208	806,569	38,900	22,508,877
Improvements Other than Buildings	749,488	22,044	-	771,532
Machinery and Equipment	12,103,771	677,792	3,168	12,778,395
Subtotals	<u>34,750,580</u>	<u>1,506,405</u>	<u>42,068</u>	<u>36,214,917</u>
Total Capital Assets, Depreciable, Net	<u>16,263,893</u>	<u>(1,056,363)</u>	<u>-</u>	<u>15,207,530</u>
Capital Assets, Net	<u>\$ 16,480,108</u>	<u>\$ (1,056,363)</u>	<u>\$ -</u>	<u>15,423,745</u>
Less: Capital Related Debt				12,677,103
Less: Town of Neenah Construction Deposit				<u>49,968</u>
Net Investment in Capital Assets				<u>\$ 2,696,674</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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>	<u>-</u>	<u>41,245</u>	<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>

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, 2022 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowings - Clean Water Fund:					
General Obligation Bonds	\$ 2,637,360	\$ -	\$ 209,694	\$ 2,427,666	\$ 215,243
Revenue Bonds	11,134,752	-	885,315	10,249,437	908,740
Long-Term Obligations	<u>\$ 13,772,112</u>	<u>\$ -</u>	<u>\$ 1,095,009</u>	<u>\$ 12,677,103</u>	<u>\$ 1,123,983</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

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>

Total interest paid during the years ended December 31, 2022 and 2021 totaled \$349,923 and \$378,524, respectively.

Clean Water Fund Bonds

Clean water fund direct borrowings outstanding on December 31, 2022 and 2021 totaled \$12,677,103 and \$13,772,112, respectively, and were comprised of the following issues:

Authorizer	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22	Balance 12/31/21
General Obligation Bonds:						
Village of Fox Crossing	02/13/13	05/01/32	2.65%	\$ 3,288,363	\$ 1,944,668	\$ 2,112,642
Harrison Utilities	02/13/13	05/01/32	2.65%	816,732	482,998	524,718
Total Outstanding General Obligation Debt					<u>\$ 2,427,666</u>	<u>\$ 2,637,360</u>
Revenue Bonds:						
City of Neenah	02/13/13	05/01/32	2.65%	\$ 11,192,015	\$ 6,618,715	\$ 7,190,419
City of Menasha	02/13/13	05/01/32	2.65%	6,140,505	3,630,722	3,944,333
Total Outstanding Revenue Bonds					<u>\$ 10,249,437</u>	<u>\$ 11,134,752</u>

Annual principal and interest maturities of the outstanding clean water fund bonds of \$12,677,103 on December 31, 2022 are detailed below:

Year Ended December 31,	Direct Borrowings				Totals	
	General Obligation		Revenue Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
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	238,944	37,373	1,008,806	157,787	1,247,750	195,160
2028 - 2032	1,292,972	87,316	5,458,837	368,644	6,751,809	455,960
	<u>\$ 2,427,666</u>	<u>\$ 335,003</u>	<u>\$ 10,249,437</u>	<u>\$ 1,414,364</u>	<u>\$ 12,677,103</u>	<u>\$ 1,749,367</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The Commission's outstanding notes from direct borrowings of \$12,677,103 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, 2022 and 2021 follows:

	2022	2021
Remaining Principal and Interest Payments	\$ 14,426,473	\$ 15,871,403
Principal and Interest Paid	1,444,932	1,445,306
Total Customer Net Revenues	2,411,740	2,238,273

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 2022 OPERATION AND MAINTENANCE EXPENSES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget	Actual	Variance with Budget - Positive (Negative)	2021
OPERATIONS				
Salaries and Wages	\$ 5,000	\$ 5,054	\$ (54)	\$ 3,948
Employee Benefits	1,079	861	218	945
Professional Fees and Contracted Services	1,911,975	1,834,670	77,305	1,768,310
Power	510,300	513,988	(3,688)	474,153
National Gas	31,200	80,648	(49,448)	75,785
Stormwater Charges	8,250	8,215	35	8,210
Water	17,400	16,555	845	16,225
Public Fire Protection	4,600	4,589	11	4,502
Telephone	6,000	14,467	(8,467)	10,542
Chemicals:				
Ferric Chloride	-	-	-	449
Polymer	142,850	166,202	(23,352)	135,354
Sodium Bisulfate	56,700	34,801	21,899	50,600
Chlorine	14,960	-	14,960	3,703
Salt	16,125	19,533	(3,408)	21,289
Aluminum Sulfate	51,750	55,656	(3,906)	45,824
Miscellaneous	2,400	-	2,400	-
Sludge Disposal	207,680	194,664	13,016	185,690
Industrial Metering and Sampling	3,200	2,539	661	2,791
Lab Supplies	24,150	33,323	(9,173)	19,645
Other Operating Supplies	26,050	16,701	9,349	18,165
Transportation	5,000	4,417	583	4,273
Administration	62,100	51,541	10,559	57,569
Office Supplies	22,000	19,392	2,608	23,254
General Insurance	87,650	82,422	5,228	82,807
Total Operations	<u>3,218,419</u>	<u>3,160,238</u>	<u>58,181</u>	<u>3,014,033</u>
MAINTENANCE				
Equipment	128,800	103,598	25,202	81,561
General Plant	148,400	155,883	(7,483)	152,045
Cleaning Supplies	11,000	7,195	3,805	6,490
Total Maintenance	<u>288,200</u>	<u>266,676</u>	<u>21,524</u>	<u>240,096</u>
Total Operation and Maintenance Expenses	<u>\$ 3,506,619</u>	<u>\$ 3,426,914</u>	<u>\$ 79,705</u>	<u>\$ 3,254,129</u>

**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
CALCULATION OF PAYABLE (RECEIVABLE) FROM USERS FOR 2022 OPERATIONS
DECEMBER 31, 2022**

	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 2022 Operation and Maintenance	\$ 1,834,459	\$ 680,336	\$ 41,280	\$ 570,813	\$ 207,389	\$ 789,707
Percentage of Net Expenses Allocated for 2022 ⁽¹⁾	44.61%	16.54%	1.00%	13.85%	5.02%	18.98%
Actual Operation and Maintenance Expenses	\$ 3,426,914					
Deposit to Depreciation Fund	200,001					
Deposit to Replacement Fund	778,003					
Less:						
MCO Income Sharing						33,507
Industrial Metering and Sampling						3,316
WPPI Standby Service						57,000
Pretreatment Administrative Fes						4,950
Other Operating Revenues						254
Interest Income						832
Net Expenditures Allocated for 2022*	1,920,633	712,032	43,019	596,122	215,990	817,263
Payable (Receivable) from Users - December 31	\$ (86,174)	\$ (31,696)	\$ (1,739)	\$ (25,309)	\$ (8,601)	\$ (27,556)

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

* Measured Service to Municipalities and Industries	\$ 3,327,055
Deposit to Depreciation Fund	200,001
Deposit to Replacement Fund	778,003
Net 2022 Allocated Expenses	<u>\$ 4,305,059</u>

⁽¹⁾ Net expenditures allocated for 2022 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, 2022, and the related notes to the financial statements and have issued our report thereon dated March 13, 2023.

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 2022-001 that we consider to be a material weakness.

Commissioners
Neenah-Menasha Sewerage Commission

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
March 13, 2023

**NEENAH-MENASHA SEWERAGE COMMISSION
 MENASHA, WISCONSIN
 SCHEDULE OF FINDINGS AND RESPONSES
 YEAR ENDED DECEMBER 31, 2022**

Internal Control Over Financial Reporting

FINDING NO.	CONTROL DEFICIENCIES
2022-001	Segregation of Duties
Type of Finding:	Material Weakness in Financial Reporting
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.
Repeat Finding:	This is a repeat of finding 2021-001.
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.



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

MANAGEMENT COMMUNICATIONS

DECEMBER 31, 2022



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**NEENAH-MENASHA SEWERAGE COMMISSION
MENASHA, WISCONSIN
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DECEMBER 31, 2022**

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Commissioners
Neenah Menasha Sewerage Commission
Neenah, Wisconsin

We have audited the financial statements of Neenah Menasha Sewerage Commission as of and for the year ended December 31, 2022, and have issued our report thereon dated March 13, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement letter dated December 5, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Neenah Menasha Sewerage Commission are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2022.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 13, 2023.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the schedule of 2022 operation and maintenance expenses – budget and actual and the calculation of payable (receivable) from users for 2022 operations (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 13, 2023.

* * *

This communication is intended solely for the information and use of the commissioners and management of Neenah-Menasha Sewerage Commission and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
March 13, 2023

Summary Financial Information

COMPARATIVE SUMMARY OF OPERATING RESULTS

Commission charges to municipalities and industries are based on an operation and maintenance budget, a depreciation fund budget, a replacement fund budget, and a capital budget approved by the Commission. Presented below is a summary of resources provided and expended from the operation and maintenance, depreciation fund, replacement fund and capital budgets for the year ended December 31, 2022 with a comparative summary for the year ended December 31, 2021:

	Operation and Maintenance	Depreciation Fund	Replacement Fund	Capital	Totals	
					2022	2021
Resources Provided:						
Charges to Municipalities and Industries	\$ 3,327,055	\$ 200,001	\$ 778,003	\$ 1,459,428	\$ 5,764,487	\$ 5,444,382
Other Charges	99,027	-	-	-	99,027	147,111
Interest Income	832	4,099	95,583	7,549	108,063	10,699
Total Resources Provided	3,426,914	204,100	873,586	1,466,977	5,971,577	5,602,192
Resources Extended:						
Operating Expenses	3,426,914	14,210	10,650	-	3,451,774	3,353,224
Principal Paid on Long-Term Debt	-	-	-	1,095,009	1,095,009	1,066,782
Interest on Long-Term Debt	-	-	-	349,923	349,923	373,819
Acquisition and Construction of Capital Assets	-	256,406	193,636	-	450,042	755,214
Total Resources Expended	3,426,914	270,616	204,286	1,444,932	5,346,748	5,549,039
Change in Available Resources	\$ -	\$ (66,516)	\$ 669,300	\$ 22,045	\$ 624,829	\$ 53,153

Additional comments and observations concerning the above operating results follow:

a) Operation and Maintenance

Actual operation and maintenance expenses totaled \$3,426,914 for 2022 while the Commission budgeted operation and maintenance expenses of \$3,506,619. A budget to actual comparison of the Commission's operation and maintenance expenses is located on page 24 of the Commission's annual financial report.

b) Depreciation Fund

The Commission established a separate depreciation fund during 1997 to pay for repairs and capital asset additions not covered under the equipment replacement fund. During the year ended December 31, 2022, the Commission used depreciation fund resources of \$14,210 to pay for maintenance costs and \$256,406 for the acquisition of capital assets.

c) Replacement Fund

The Commission is required by federal and state regulations to maintain an equipment replacement fund to finance acquisitions and repairs of mechanical equipment. During the year ended December 31, 2022, the Commission used replacement fund resources of \$10,650 to pay for maintenance costs and \$193,636 to acquire capital assets.

d) Capital

The Commission's capital budget provides resources to finance principal and interest maturities of long-term debt and to finance capital asset additions.

APPENDIX



NEENAH-MENASHA SEWERAGE COMMISSION

101 Garfield Avenue • Menasha, Wisconsin 54952-3397
(920) 751-4760 • Fax (920) 751-4767
e-mail info@nmscwvtp.com

March 13, 2023

CliftonLarsonAllen LLP
1175 Lombardi Avenue, Suite 200
Green Bay, WI 54304

This representation letter is provided in connection with your audit of the financial statements of Neenah-Menasha Sewerage Commission, which comprise the respective financial position as of December 31, 2022 and 2021, and the respective changes in financial position and its cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, 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.

We confirm, to the best of our knowledge and belief, as of March 13, 2023, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated December 5, 2022 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates are reasonable.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
8. We have not identified or been notified of any uncorrected financial statement misstatements. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments and accept responsibility for them.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
12. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
13. We have analyzed all lease contracts and have considered embedded leases contained within other contracts in accordance with U.S. GAAP.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

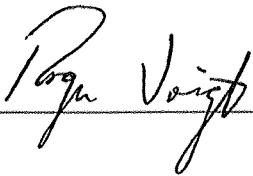
1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of all the entity's related parties and all the related party relationships and transactions of which we are aware, including any side agreements.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Neenah-Menasha Sewerage Commission, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

12. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
13. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
15. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
16. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
17. Provisions for uncollectible receivables have been properly identified and recorded.
18. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
19. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
20. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
21. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
22. We acknowledge our responsibility for presenting the supporting schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

23. As part of your audit, you prepared the draft financial statements, related notes, and supplementary information. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, and supplementary information. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

Signature:  Title: PRESIDENT

Signature:  Title: Accountant



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