



# **Neenah Water Utility**

An Enterprise Fund of the City of Neenah, Wisconsin

Financial Statements and  
Supplementary Information

December 31, 2021 and 2020

# **Neenah Water Utility**

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An Enterprise Fund of the City of Neenah, Wisconsin

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## **Independent Auditors' Report**

To the Utility Commission of  
Neenah Water Utility

### **Opinion**

We have audited the financial statements of the Neenah Water Utility enterprise fund (Utility), of the City of Neenah, Wisconsin, as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the Utility, of the City of Neenah, Wisconsin, as of December 31, 2021 and 2020 and the changes in financial position and 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). 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 Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Utility of the City of Neenah, Wisconsin, are intended to present the financial position, the changes in the financial position and where applicable, cash flows of only the Utility. They do not purport to and do not, present fairly the financial position of the City of Neenah, Wisconsin, as of December 31, 2021, and 2020, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **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.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Utility'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.

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

Management has omitted Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

*Baker Tilly US, LLP*

Madison, Wisconsin  
May 9, 2022

# **Neenah Water Utility**

Statements of Net Position  
December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 4,372,787	\$ 4,462,059
Other special accounts	3,371,326	2,989,326
Restricted assets:		
Redemption account	1,087,376	1,121,256
Customer accounts receivable	766,958	817,940
Unbilled revenues	868,390	867,510
Other accounts receivable	14,127	11,213
Due from other funds	96	-
Materials and supplies	118,852	95,847
Prepayments	4,999	7,594
Interest receivable	<u>6,060</u>	<u>16</u>
Total current assets	<u>10,610,971</u>	<u>10,372,761</u>
<b>Noncurrent Assets</b>		
Restricted assets:		
Reserve account	319,000	319,000
Depreciation account	250,000	250,000
Net pension asset	424,231	226,291
Capital assets:		
Plant in service	68,599,128	66,674,749
Accumulated depreciation	(24,660,626)	(23,492,485)
Construction work in progress	<u>-</u>	<u>17,244</u>
Total noncurrent assets	<u>44,931,733</u>	<u>43,994,799</u>
Total assets	<u>55,542,704</u>	<u>54,367,560</u>
<b>Deferred Outflows of Resources</b>		
Unamortized loss on advance refunding	-	3,041
Deferred outflows related to pension	<u>734,333</u>	<u>537,272</u>
Total deferred outflows of resources	<u>734,333</u>	<u>540,313</u>

# **Neenah Water Utility**

Statements of Net Position  
December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 483,590	\$ 302,119
Due to municipality	1,012,465	1,029,202
Accrued vacation	30,822	27,565
Other current liabilities	61,269	56,641
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	1,675,901	2,249,260
Accrued interest	22,609	30,083
Total current liabilities	<u>3,286,656</u>	<u>3,694,870</u>
<b>Noncurrent Liabilities</b>		
Revenue bonds	4,278,346	5,954,247
Unamortized debt premium	9,873	25,681
Accrued sick leave	96,167	85,373
Unearned revenues	<u>40,550</u>	<u>7,864</u>
Total noncurrent liabilities	<u>4,424,936</u>	<u>6,073,165</u>
Total liabilities	<u>7,711,592</u>	<u>9,768,035</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pension	<u>940,650</u>	<u>664,193</u>
<b>Net Position</b>		
Net investment in capital assets	38,293,382	35,292,361
Restricted for:		
Debt service	1,064,767	1,091,173
Depreciation	250,000	250,000
Pension	424,231	226,291
Unrestricted	<u>7,592,415</u>	<u>7,615,820</u>
Total net position	<u>\$ 47,624,795</u>	<u>\$ 44,475,645</u>

## **Neenah Water Utility**

### Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Sales of water	\$ 8,062,391	\$ 7,924,948
Other	<u>208,137</u>	<u>220,793</u>
Total operating revenues	<u><u>8,270,528</u></u>	<u><u>8,145,741</u></u>
<b>Operating Expenses</b>		
Operation and maintenance	2,829,624	3,171,198
Depreciation	<u>1,590,694</u>	<u>1,614,242</u>
Total operating expenses	<u><u>4,420,318</u></u>	<u><u>4,785,440</u></u>
<b>Operating Income</b>	<u><u>3,850,210</u></u>	<u><u>3,360,301</u></u>
<b>Nonoperating Expenses</b>		
Investment income	20,814	44,744
Gain (loss) on investments	-	(254)
Income from merchandising and jobbing	17,471	14,850
Gain (loss) on sale of fixed assets	-	966
Interest expense	(169,326)	(221,764)
Amortization of loss on advance refunding	(3,041)	(4,022)
Amortization of debt premium	<u>15,809</u>	<u>17,825</u>
Total nonoperating expenses	<u><u>(118,273)</u></u>	<u><u>(147,655)</u></u>
Income before contributions and transfers	3,731,937	3,212,646
<b>Capital Contributions</b>	429,678	432,249
<b>Capital Contributions, City</b>	-	16,236
<b>Transfers, Tax Equivalent</b>	<u>(1,012,465)</u>	<u>(1,029,202)</u>
Change in net position	3,149,150	2,631,929
<b>Net Position, Beginning</b>	<u><u>44,475,645</u></u>	<u><u>41,843,716</u></u>
<b>Net Position, Ending</b>	<u><u>\$ 47,624,795</u></u>	<u><u>\$ 44,475,645</u></u>

# **Neenah Water Utility**

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## **Statements of Cash Flows**

Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 8,458,137	\$ 8,191,537
Paid to suppliers for goods and services	(1,354,561)	(1,683,214)
Paid to employees for operating payroll	<u>(1,202,665)</u>	<u>(1,150,839)</u>
Net cash flows from operating activities	<u>5,900,911</u>	<u>5,357,484</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Paid to municipality for tax equivalent	<u>(1,029,298)</u>	<u>(935,432)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(2,345,908)	(1,844,110)
Capital contributions received	144,433	151,769
Debt retired	(2,249,260)	(2,198,467)
Interest paid	<u>(176,800)</u>	<u>(229,067)</u>
Net cash flows from capital and related financing activities	<u>(4,627,535)</u>	<u>(4,119,875)</u>
<b>Cash Flows From Investing Activities</b>		
Investments purchased	(1,254,525)	-
Investments sold and matured	10,310	273,898
Change in fair value of investments	-	1,898
Investment income	<u>14,770</u>	<u>44,490</u>
Net cash flows from investing activities	<u>(1,229,445)</u>	<u>320,286</u>
Net change in cash and cash equivalents	<u>(985,367)</u>	<u>622,463</u>
<b>Cash and Cash Equivalents, Beginning</b>	<u>9,129,308</u>	<u>8,506,845</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 8,143,941</u>	<u>\$ 9,129,308</u>
<b>Noncash Capital and Related Financing Activities</b>		
Developer financed additions to utility plant	<u>\$ 285,245</u>	<u>\$ 296,716</u>

# **Neenah Water Utility**

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## **Statements of Cash Flows**

Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Operating income	\$ 3,850,210	\$ 3,360,301
Nonoperating revenue (expense)	17,471	14,850
Noncash items in operating income:		
Depreciation	1,590,694	1,614,242
Depreciation charged to clearing and other utilities	301,466	287,265
Changes in assets and liabilities:		
Customer accounts receivable	50,102	(54,843)
Other accounts receivable	(2,914)	(3,064)
Materials and supplies	(23,005)	24,664
Pension related deferrals and assets	(118,544)	3,693
Prepayments and other assets	2,595	(5,665)
Accounts payable	181,471	90,285
Accrued sick and vacation	14,051	14,748
Other current liabilities	4,628	10,841
Unearned revenue	<u>32,686</u>	<u>167</u>
Net cash flows from operating activities	<u>\$ 5,900,911</u>	<u>\$ 5,357,484</u>
<b>Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts</b>		
Cash and investments	\$ 4,372,787	\$ 4,462,059
Redemption account	1,087,376	1,121,256
Reserve account	319,000	319,000
Depreciation account	250,000	250,000
Other special funds	<u>3,371,326</u>	<u>2,989,326</u>
Total cash and investments	9,400,489	9,141,641
Less noncash equivalents	<u>(1,256,548)</u>	<u>(12,333)</u>
Cash and cash equivalents	<u>\$ 8,143,941</u>	<u>\$ 9,129,308</u>

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **1. Summary of Significant Accounting Policies**

The financial statements of Neenah Water Utility (the Utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental 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 Utility are described below.

#### **Reporting Entity**

The Utility is a separate enterprise fund of the City of Neenah (Municipality). The Utility is managed by a utility commission. The Utility provides water service to properties within the Municipality.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW).

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Utility is presented as an enterprise fund of the Municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

##### **Deposits and Investments**

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

Investment of Utility funds is restricted by state statutes. Investments are limited to:

- Time deposits in any credit union, bank, savings bank or trust company.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

The Utility has adopted an investment policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

### **Receivables/Payables**

Transactions between the Utility and other funds of the Municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the Utility and other funds of the Municipality are reported as due to/from other funds.

The Utility has the right under Wisconsin statutes to place delinquent water bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

### **Materials and Supplies**

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

### **Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

### **Other Special Accounts**

Assets designated by the Utility Commission for future capital projects.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Anticipated Future Special Assessments**

At December 31, 2021 and 2020 there were \$404,154 of anticipated future assessments which are not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

### **Capital Assets**

Capital assets are generally defined by the Utility as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the Utility are recorded at cost or the estimated acquisition value at the time of contribution to the Utility. Major outlays for Utility plant are capitalized as projects are constructed. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<b>Years</b>
Water Plant	
Source of supply	59
Pumping	23-43
Water treatment	29-31
Transmission and distribution	18-77
General	4-34

### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

### **Deferred Outflow of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

### **Other Current Liabilities**

These amounts consist of accrued payroll and accrued fringes.

### **Accrued Vacation and Sick Leave**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the Utility.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Long-Term Obligations**

Long-term debt and other obligations are reported as Utility liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

### **Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

### **Revenues and Expenses**

The Utility 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 the Utility's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Charges for Services**

Billings are rendered and recorded monthly based on metered usage. The Utility does accrue revenues beyond billing dates.

Current water rates were approved by the PSCW on November 2010 and placed into effect January 1, 2011.

### **Capital Contributions**

Cash and capital assets are contributed to the Utility from customers, the Municipality or external parties. The value of property contributed to the Utility is reported as revenue on the statements of revenues, expenses and changes in net position.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Effect of New Accounting Standards on Current Period Financial Statements**

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*

When they become effective, application of these standards may restate portions of these financial statements.

### **Comparative Data**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## **2. Deposits and Investments**

	Carrying Value as of December 31,		Risks
	2021	2020	
Checking and savings	\$ 2,505,578	\$ 3,482,856	Custodial credit risk
Money market	206,382	180,757	Custodial credit risk
LGIP	5,431,781	5,465,495	Credit risk
U.S. agency securities	1,256,548	12,333	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
Petty cash	200	200	None
Total	<u>\$ 9,400,489</u>	<u>\$ 9,141,641</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

The Utility may also maintain separate cash and investment accounts at the same financial institutions utilized by the Municipality. Federal deposit insurance and the SDGF apply to all municipal accounts and accordingly, the amount of insured funds is not determinable for the Utility alone. Therefore, coverage for the Utility may be reduced. Investment income on commingled investments of the entire Municipality is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (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 LGIP's assets were substantially equal to the Utility's share.

The Utility 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 other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring methods fair value measurements are as follows:

U.S. agency securities and corporate bonds are valued by a pricing service that uses matrix pricing or a yield of a similar investment type.

<b>Investment Type</b>	<b>December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. agency securities, implicitly guaranteed	\$ -	\$ 1,256,548	\$ -	\$ 1,256,548
<hr/>				
<b>Investment Type</b>	<b>December 30, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. agency securities, implicitly guaranteed	\$ -	\$ 12,333	\$ -	\$ 12,333

### **Custodial Credit Risk**

#### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the Utility's deposits may not be returned to the Utility.

The Utility maintains certain deposits in the same institutions as the Municipality. The following is a summary of the Utility's total deposit balances at these institutions.

	<b>2021</b>		<b>2020</b>	
	<b>Bank Balance</b>	<b>Carrying Value</b>	<b>Bank Balance</b>	<b>Carrying Value</b>
Local/Area Bank	(A)	\$ 2,711,960	(A)	\$ 1,759,863

(A) The Utility's cash and investments are co-mingled with the entire Municipality. Therefore, the Utility's individual bank balances cannot be determined.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

The City's investment policy addresses Custodial Credit Risk of deposits in the following manner:

Where allowed by state and in accordance with the the Government Finance Officers Association (GFOA) Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposit.

### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Utility does not have any investments exposed to custodial credit risk.

The City's investment policy does not address this risk.

### **Credit Risk**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2021, the Utility's investments were rated as follows:

<b>Investment Type</b>	<b>Moody's Investors Services</b>
U.S., agencies, implicitly guaranteed	Aa2

As of December 30, 2020, the Utility's investments were rated as follows:

<b>Investment Type</b>	<b>Moody's Investors Services</b>
U.S., agencies, implicitly guaranteed	Aa2

The Utility held investments in the Local Government Investment Pool which is an external pool that is not rated.

The City's investment policy addresses this risk. The City of Neenah will minimize credit risk, which is the risk of loss due to failure of the security issuer or backer, by limiting investments to types of securities listed within the policy; pre-qualifying financial institutions, brokers/dealers, intermediaries and advisors and; diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Concentration of Credit Risk**

As of December 31, 2021 and 2020, the Utility did not have any investments with a single issuer exceeding 5% of total portfolio.

The City's Investment Policy Addresses This Risk. The City Of Neenah Will Diversify Investments By Limiting Investments To Avoid Overconcentration In Securities From Specific Issuer In Business Sector, By Limiting Investment In Securities That Have Higher Credit Risks, By Investing In Securities With Varying Maturities And Continuously Investing A Portion Of The Portfolio In Readily Available Funds Such As Local Government Investment Pools, Money Market Funds Or Overnight Repurchase Agreements To Ensure That Appropriate Liquidity Is Maintained In Order To Meet Ongoing Obligations.

### **Interest Rate Risk**

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2021, the Utility's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1 Year	1 - 5 Years	Greater than 5 Years
U.S. Agencies, implicitly guaranteed	\$ 1,256,548	\$ _____ -	\$ 1,254,525	\$ 2,023

As of December 30, 2020, the Utility's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1 Year	1 - 5 Years	Greater than 5 Years
U.S. Agencies, implicitly guaranteed	\$ 12,333	\$ _____ -	\$ _____ -	\$ 12,333

### **Investment Policy**

The City's investment policy addresses this risk. The City of Neenah will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fail due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **3. Interfund Receivables/Payables and Transfers**

The following is a schedule of interfund balances for the years ending December 31, 2021 and 2020:

<b>Due To</b>	<b>Due From</b>	<b>Amount</b>	<b>2021</b>		<b>2020</b>	
			<b>Principal Purpose</b>	<b>Amount</b>	<b>Principal Purpose</b>	<b>Amount</b>
Municipality	Water Utility	\$ 1,012,465	Tax equivalent	\$ 1,029,202	Tax equivalent	
Water Utility	Municipality	96	Delinquents on tax roll	-		

The following is a schedule of transfer balances for the years ending December 31, 2021 and 2020:

<b>To</b>	<b>From</b>	<b>Amount</b>	<b>2021</b>		<b>2020</b>	
			<b>Principal Purpose</b>	<b>Amount</b>	<b>Principal Purpose</b>	<b>Amount</b>
Municipality	Water Utility	\$ 1,012,465	Tax equivalent	\$ 1,029,202	Tax equivalent	

### **4. Restricted Assets**

#### **Restricted Accounts**

Certain proceeds of the Utility's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

#### **Net Pension Asset**

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

#### **Restricted Net Position**

The following calculation supports the amount of water restricted net position:

	<b>2021</b>	<b>2020</b>
Restricted assets:		
Redemption account	\$ 1,087,376	\$ 1,121,256
Reserve account	319,000	319,000
Depreciation account	250,000	250,000
Net pension asset	424,231	226,291
Total restricted assets	<u>2,080,607</u>	<u>1,916,547</u>
Less restricted assets not funded by revenues:		
Reserve from borrowing	(319,000)	(319,000)
Current liabilities payable from restricted assets	(22,609)	(30,083)
Total restricted net position as calculated	<u>\$ 1,738,998</u>	<u>\$ 1,567,464</u>

## **Neenah Water Utility**

Notes to Financial Statements  
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The purpose of the restricted net position is as follows:

	<b>2021</b>	<b>2020</b>
Debt service	\$ 1,064,767	\$ 1,091,173
Depreciation	250,000	250,000
Pension	<u>424,231</u>	<u>226,291</u>
 Total restricted net position	 <u>\$ 1,738,998</u>	 <u>\$ 1,567,464</u>

### **5. Changes in Capital Assets**

A summary of changes in Water capital assets for 2021 follows:

	<b>Balance 1/1/21</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/21</b>
Capital assets, not being depreciated:				
Land and land rights	\$ 122,180	\$ -	\$ -	\$ 122,180
Capital assets being depreciated:				
Source of supply	130,978	-	-	130,978
Pumping	3,384,851	-	600	3,384,251
Water treatment	24,440,799	411,421	148,989	24,703,231
Transmission and distribution	36,269,171	2,236,976	496,569	38,009,578
General	<u>2,326,770</u>	<u>-</u>	<u>77,860</u>	<u>2,248,910</u>
 Total capital assets being depreciated	 <u>66,552,569</u>	<u>2,648,397</u>	<u>724,018</u>	<u>68,476,948</u>
 Total capital assets	 <u>66,674,749</u>	<u>2,648,397</u>	<u>724,018</u>	<u>68,599,128</u>
Less accumulated depreciation:				
Source of supply	(130,978)	-	-	(130,978)
Pumping	(1,717,992)	(107,733)	600	(1,825,125)
Water treatment	(12,362,578)	(817,110)	148,989	(13,030,699)
Transmission and distribution	(7,161,721)	(880,916)	496,569	(7,546,068)
General	<u>(2,119,216)</u>	<u>(86,400)</u>	<u>77,860</u>	<u>(2,127,756)</u>
 Total accumulated depreciation	 <u>(23,492,485)</u>	<u>(1,892,159)</u>	<u>724,018</u>	<u>(24,660,626)</u>
Construction in progress	17,244	-	17,244	-
 Net capital assets	 <u>\$ 43,199,508</u>			<u>\$ 43,938,502</u>

## **Neenah Water Utility**

Notes to Financial Statements  
December 31, 2021 and 2020

A summary of changes in Water capital assets for 2020 follows:

	<b>Balance 1/1/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/20</b>
Capital assets, not being depreciated:				
Land and land rights	\$ 122,180	\$ -	\$ -	\$ 122,180
Capital assets being depreciated:				
Source of supply	130,978	-	-	130,978
Pumping	3,384,851	-	-	3,384,851
Water treatment	24,433,880	12,111	5,192	24,440,799
Transmission and distribution	34,570,152	2,079,671	380,652	36,269,171
General	2,442,510	32,766	148,506	2,326,770
Total capital assets being depreciated	64,962,371	2,124,548	534,350	66,552,569
Total capital assets	65,084,551	2,124,548	534,350	66,674,749
Less accumulated depreciation:				
Source of supply	(130,978)	-	-	(130,978)
Pumping	(1,610,244)	(107,746)	-	(1,717,990)
Water treatment	(11,558,105)	(809,665)	5,192	(12,362,578)
Transmission and distribution	(6,707,436)	(834,938)	380,652	(7,161,722)
General	(2,118,565)	(149,158)	148,506	(2,119,217)
Total accumulated depreciation	(22,125,328)	(1,901,507)	534,350	(23,492,485)
Construction in progress	-	17,244	-	17,244
Net capital assets	<u>\$ 42,959,223</u>			<u>\$ 43,199,508</u>

### **6. Long-Term Obligations**

#### **Revenue Debt**

The following bonds have been issued:

<b>Date</b>	<b>Purpose</b>	<b>Final Maturity</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Outstanding Amount 12/31/21</b>
4/27/2005	Water treatment plant	05/01/2024	2.365 %	\$ 16,666,667	\$ 3,172,653 *
1/25/2006	Water treatment plant	05/01/2025	2.365	8,788,354	2,291,594 *
9/26/2012	Refund 2001 and 2002 bonds	12/01/2021	2.12	1,350,000	-
12/2/2013	Refund 2003 bonds	12/01/2021	2.00-2.50	3,545,000	-
12/1/2017	Refund 2007 bonds	12/01/2026	2.83	835,000	490,000

\* The debt noted is directly placed with a third party.

## **Neenah Water Utility**

Notes to Financial Statements  
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Revenue bonds debt service requirements to maturity follows:

<b>Years Ending December 31,</b>	<b>Bonds</b>		<b>Direct Placement</b>			<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2022	\$ 90,000	\$ 12,850	\$ 1,585,901	\$ 110,476	\$ 1,799,227	
2023	95,000	11,050	1,623,407	72,526	1,801,983	
2024	100,000	9,150	1,661,801	33,679	1,804,630	
2025	100,000	6,150	593,138	7,014	706,302	
2026	105,000	3,150	-	-	108,150	
<b>Total</b>	<b>\$ 490,000</b>	<b>\$ 42,350</b>	<b>\$ 5,464,247</b>	<b>\$ 223,695</b>	<b>\$ 6,220,292</b>	

All Utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2021 and 2020 were \$2,426,060 and \$2,427,534, respectively. Total customer gross revenues as defined for the same periods were \$8,308,813 and \$8,205,335. Annual principal and interest payments are expected to require 15% of gross revenues on average.

### **Long-Term Obligations Summary**

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	<b>12/31/20 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/21 Balance</b>	<b>Due Within One Year</b>
Revenue bonds	\$ 8,203,507	\$ -	\$ 2,249,260	\$ 5,954,247	\$ 1,675,901
Accrued sick leave	112,938	41,616	27,565	126,989	30,822
Unamortized debt premium	25,681	-	15,808	9,873	-
Unearned revenues	7,864	40,550	7,864	40,550	-
<b>Total</b>	<b>\$ 8,349,990</b>	<b>\$ 82,166</b>	<b>\$ 2,300,497</b>	<b>\$ 6,131,659</b>	<b>\$ 1,706,723</b>

Long-term obligation activity for the year ended December 31, 2020 is as follows:

	<b>1/2/20 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/20 Balance</b>	<b>Due Within One Year</b>
Revenue bonds	\$ 10,401,974	\$ -	\$ 2,198,467	\$ 8,203,507	\$ 2,249,260
Accrued sick leave	98,190	52,328	37,580	112,938	27,565
Unamortized debt premium	43,506	-	17,825	25,681	-
Unearned revenues	7,697	7,864	7,697	7,864	-
<b>Total</b>	<b>\$ 10,551,367</b>	<b>\$ 60,192</b>	<b>\$ 2,261,569</b>	<b>\$ 8,349,990</b>	<b>\$ 2,276,825</b>

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Bond Covenant Disclosures**

The following information is provided in compliance with the resolution creating the revenue bonds:

#### **Insurance**

The Utility is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, errors and omissions, workers compensation and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The Utility is covered under the following insurance policies at December 31, 2021:

Type	Coverage	Expiration
<i>Cities and Villages Mutual Insurance Company</i>		
General liability	\$ 5,000,000 per occurrence	01/01/2022
Automobile	20,000,000 per occurrence	01/01/2022
<i>Municipal Property Insurance Company</i>		
Property (entire city)	\$ 190,878,774	01/01/2022

#### **Debt Coverage**

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the subsequent year's annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2021 and 2020 as follows:

	2021	2020
Operating revenues	\$ 8,270,528	\$ 8,145,741
Investment income	20,814	44,744
Miscellaneous nonoperating income	17,471	14,850
Less operation and maintenance expenses	<u>(2,829,624)</u>	<u>(3,171,198)</u>
Net defined earnings	<u>\$ 5,479,189</u>	<u>\$ 5,034,137</u>
Minimum Required Earnings per Resolution:		
Subsequent year annual debt service	\$ 1,799,227	\$ 2,426,060
Coverage factor	1.25	1.25
Minimum required earnings	<u>\$ 2,249,034</u>	<u>\$ 3,032,575</u>
Actual debt coverage	<u>3.05</u>	<u>2.08</u>

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Number of Customers and Billed Volumes - Water**

The Utility has the following number of customers and billed volumes for 2021 and 2020:

	<b>Customers</b>		<b>Sales (000 gals)</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Residential	10,359	9,972	412,643	412,890
Multifamily residential	92	94	23,702	23,824
Commercial	681	740	139,029	130,508
Industrial	79	85	341,577	321,019
Public authority	56	58	24,912	18,190
Total	<b>11,267</b>	<b>10,949</b>	<b>941,863</b>	<b>906,431</b>

## **7. Net Position**

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets:** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted:** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position:** This component of net position consists of net positions that do not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Utility's policy to use restricted resources first, then unrestricted resources as they are needed.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

The following calculation supports the water net investment in capital assets:

	<b>2021</b>	<b>2020</b>
Plant in service	\$ 68,599,128	\$ 66,674,749
Accumulated depreciation	(24,660,626)	(23,492,485)
Construction work in progress	-	17,244
 Subtotal	 <u>43,938,502</u>	 <u>43,199,508</u>
 Less capital related debt:		
Current portion of capital related long-term debt	1,675,901	2,249,260
Long-term portion of capital related long-term debt	4,278,346	5,954,247
Unamortized debt premium	9,873	25,681
Unamortized loss on advance refunding	-	(3,041)
 Subtotal	 <u>5,964,120</u>	 <u>8,226,147</u>
 Add unspent debt proceeds:		
Reserve from borrowing	<u>319,000</u>	<u>319,000</u>
 Total net investment in capital assets	 <u>\$ 38,293,382</u>	 <u>\$ 35,292,361</u>

## **8. Employees Retirement System**

### **General Information About the Pension Plan**

**Plan description:** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011 and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

**Vesting:** For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided:** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

## **Neenah Water Utility**

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Notes to Financial Statements  
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Vested participants may retire at age 55 (50 for protective occupation employees) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

*Post-retirement adjustments:* The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<b>Year</b>	<b>Core Fund Adjustment</b>	<b>Variable Fund Adjustment</b>
2010	(1.3)%	22.0%
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

*Contributions:* Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$77,682 and \$73,268 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2021 and December 31, 2020 are:

	<b>2021</b>		<b>2020</b>	
	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer</b>
General (including executives and elected officials)	6.75 %	6.75 %	6.55 %	6.55 %
Protective with Social Security	6.75 %	11.75 %	6.55 %	10.55 %
Protective without Social Security	6.75 %	16.35 %	6.55 %	14.95 %

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2021, the Utility reported a liability (asset) of \$(424,231) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the City of Neenah's proportion was 0.13053840%%, which was an increase of .0007184% from its proportion measured as of December 31, 2019.

At December 31, 2020, the Utility reported a liability (asset) of \$(226,291) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City of Neenah's proportion was .129719970%, which was an increase of .001538910% from its proportion measured as of December 31, 2018.

For the years ended December 31, 2021 and 2020, the Utility recognized pension expense of \$118,543 and \$3,693, respectively.

At December 31, 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Neenah Water Utility</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 634,572	\$ 164,616
Changes in assumption	17,173	-
Net differences between project and actual earnings on pension plan	-	775,404
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,408	630
Employer contributions subsequent to the measurement date	<u>81,179</u>	<u>-</u>
 Total	 <u>\$ 734,332</u>	 <u>\$ 940,650</u>

At December 31, 2020, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Neenah Water Utility</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 433,887	\$ 239,196
Changes in assumption	24,517	-
Net differences between project and actual earnings on pension plan	-	424,070
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,186	927
Employer contributions subsequent to the measurement date	<u>77,682</u>	<u>-</u>
 Total	 <u>\$ 537,272</u>	 <u>\$ 664,193</u>

## **Neenah Water Utility**

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Notes to Financial Statements  
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Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>
Years ending December 31:	
2022	\$ (73,863)
2023	(20,136)
2024	(135,959)
2025	(57,539)
2026	-
Thereafter	-
 Total	<u>\$ (287,497)</u>

*Actuarial assumptions:* The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2021</u>	<u>2020</u>
Actuarial valuation date	December 31, 2019	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2020	December 31, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments *	1.9%	1.9%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. The percentages listed above are the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

*Long-term expected return on plan assets:* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2021 are summarized in the following table:

<b>Core Fund Asset Class</b>	<b>Current Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	49 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<b>Variable Fund Asset Class</b>			
U.S Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.

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

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2020 are summarized in the following table:

<b>Core Fund Asset Class</b>	<b>Current Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	49 %	8.1 %	5.5 %
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<b>Variable Fund Asset Class</b>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%.

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

*Single discount rate:* A single discount rate of 7.00% was used to measure the total pension liability as of December 31, 2021 and December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 2.75% and 3.71%, in 2020 and 2019 respectively. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's 20-year Municipal GO AA Index as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

*Sensitivity of the Utility's proportionate share of the net pension liability (asset) to changes in the discount rate:* The following presents the Utility's proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the Utility's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

The sensitivity analysis as of December 31, 2021 follows:

	<b>1% Decrease to Discount Rate (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase to Discount Rate (8.00%)</b>
Neenah Water Utility's proportionate share of the net position liability (asset)	\$ 403,383	\$ (424,231)	\$ (1,031,333)

The sensitivity analysis as of December 31, 2020 follows:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
Neenah Water Utility's proportionate share of the net position liability (asset)	\$ 582,731	\$ (226,291)	\$ (831,122)

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

## **9. Commitments and Contingencies**

### **Claims and Judgments**

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

## **10. Risk Management**

### **Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC and has numerous municipalities as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the municipalities which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The Municipality's share of such losses is approximately 1%.

## **Neenah Water Utility**

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Notes to Financial Statements  
December 31, 2021 and 2020

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The Municipality does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The Municipality shows the general obligation bond that it owes to WMIC in the insurance internal service fund (governmental activities column of government-wide statement of net position). The transactions of the organization are not included in these financial statements.

**R E Q U I R E D   S U P P L E M E N T A R Y   I N F O R M A T I O N**

## **Neenah Water Utility**

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System  
Year Ended December 31, 2021

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/21	0.13053840%	\$ (424,231)	\$ 1,150,844	36.86%	105.26%
12/31/20	0.12971997%	(226,291)	1,100,597	20.56%	102.96%
12/31/19	0.12818106%	251,327	1,093,552	22.98%	96.45%
12/31/18	0.12552761%	(205,065)	1,103,125	18.59%	102.93%
12/31/17	0.12459281%	59,901	1,074,027	5.58%	99.12%
12/31/16	0.12458703%	121,833	1,086,882	11.21%	98.20%
12/31/15	0.12675710%	(185,460)	1,113,762	16.65%	102.74%

Schedule of Employer Contributions - Wisconsin Retirement System

Year Ended December 31, 2021

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/21	\$ 81,179	\$ 81,179	\$ -	\$ 1,202,652	6.75%
12/31/20	77,682	77,682	-	1,150,844	6.75%
12/31/19	73,740	73,740	-	1,100,597	6.70%
12/31/18	73,268	73,268	-	1,093,552	6.70%
12/31/17	75,018	75,018	-	1,103,125	6.80%
12/31/16	70,885	70,885	-	1,074,027	6.60%
12/31/15	73,908	73,908	-	1,086,882	6.80%

## **Neenah Water Utility**

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Notes to Required Supplementary Information  
Year Ended December 31, 2021

### **Wisconsin Retirement System**

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The utility is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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

*Changes of assumptions.*

	<b>2015 - 2018</b>	<b>2019 - 2021</b>
Long-term expected rate of return	7.2%	7.0%
Discount rate	7.2%	7.0%
Salary increases:		
Inflation	3.2%	3.0%
Seniority/Merit	0.2% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	2.10%	1.90%

**S U P P L E M E N T A R Y   I N F O R M A T I O N**

## **Neenah Water Utility**

Water Utility Plant

Year Ended December 31, 2021

	<b>Balance 1/1/21</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/31/21</b>
<b>Source of Supply</b>				
Land and land rights	\$ 23,941	\$ -	\$ -	\$ 23,941
Intakes	130,978	-	-	130,978
Total source of supply	<u>154,919</u>	<u>-</u>	<u>-</u>	<u>154,919</u>
<b>Pumping</b>				
Structures and improvements	1,961,066	-	-	1,961,066
Other power production equipment	283,192	-	600	282,592
Electric pumping equipment	1,136,024	-	-	1,136,024
Other pumping equipment	4,569	-	-	4,569
Total pumping	<u>3,384,851</u>	<u>-</u>	<u>600</u>	<u>3,384,251</u>
<b>Water Treatment</b>				
Land and land rights	98,239	-	-	98,239
Structures and improvements	16,310,894	177,528	88,765	16,399,657
Water treatment equipment	8,129,905	233,893	60,224	8,303,574
Total water treatment	<u>24,539,038</u>	<u>411,421</u>	<u>148,989</u>	<u>24,801,470</u>
<b>Transmission and Distribution</b>				
Distribution reservoirs and standpipes	2,454,064	23,019	-	2,477,083
Transmission and distribution mains	24,236,262	1,362,546	252,442	25,346,366
Services	5,153,690	627,655	163,824	5,617,521
Meters	2,134,837	101,975	63,054	2,173,758
Hydrants	2,290,318	121,781	17,249	2,394,850
Total transmission and distribution	<u>36,269,171</u>	<u>2,236,976</u>	<u>496,569</u>	<u>38,009,578</u>
<b>General</b>				
Structures and improvements	93,332	-	-	93,332
Office furniture and equipment	32,748	-	526	32,222
Computer equipment	224,386	-	6,830	217,556
Transportation equipment	272,285	-	-	272,285
Tools, shop and garage equipment	120,690	-	5,018	115,672
Laboratory equipment	69,402	-	3,105	66,297
Power-operated equipment	191,155	-	-	191,155
Communication equipment	111,262	-	62,381	48,881
SCADA equipment	1,211,510	-	-	1,211,510
Total general	<u>2,326,770</u>	<u>-</u>	<u>77,860</u>	<u>2,248,910</u>
Total water utility plant	<u>\$ 66,674,749</u>	<u>\$ 2,648,397</u>	<u>\$ 724,018</u>	<u>\$ 68,599,128</u>

## **Neenah Water Utility**

### Water Utility Operating Revenues and Expenses

Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Sales of water:		
Unmetered	\$ 3,626	\$ 4,202
Metered:		
Residential	3,277,848	3,309,841
Commercial	1,076,594	981,026
Industrial	1,748,790	1,679,335
Public authorities	<u>121,647</u>	<u>128,387</u>
Total metered sales	6,224,879	6,098,589
Private fire protection	135,117	134,170
Public fire protection	1,699,063	1,689,033
Bad debt expense	<u>(294)</u>	<u>(1,046)</u>
Total sales of water	<u>8,062,391</u>	<u>7,924,948</u>
Other operating revenues:		
Forfeited discounts	26,707	32,656
Miscellaneous service revenue	21,664	21,043
Rents from water property	113,383	111,344
Other	<u>46,383</u>	<u>55,750</u>
Total operating revenues	<u>8,270,528</u>	<u>8,145,741</u>
<b>Operating Expenses</b>		
Operation and maintenance:		
Source of supply:		
Operation supervision and engineering	2,828	3,348
Maintenance:		
Supervision and engineering	10,801	4,280
Lake, river and other intakes	<u>5,760</u>	<u>9,409</u>
Total source of supply	<u>19,389</u>	<u>17,037</u>
Pumping:		
Operation supervision and engineering	12,364	16,063
Fuel for power production	125,807	119,180
Pumping labor	96,577	93,714
Miscellaneous	12,410	9,231
Maintenance:		
Supervision and engineering	<u>15,438</u>	<u>17,419</u>
Total pumping	<u>262,596</u>	<u>255,607</u>
Water treatment:		
Operation supervision and engineering	29,262	34,210
Chemicals	423,926	370,714
Operation labor	326,796	308,015
Miscellaneous	71,634	66,995
Maintenance:		
Supervision and engineering	33,870	43,368
Structures and improvements	148,835	543,638
Water treatment equipment	<u>127,783</u>	<u>129,654</u>
Total water treatment	<u>1,162,106</u>	<u>1,496,594</u>

## **Neenah Water Utility**

### Water Utility Operating Revenues and Expenses

Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Transmission and distribution:		
Operation supervision and engineering	\$ 17,414	\$ 25,659
Storage facilities	9,950	6,676
Transmission and distribution lines	85,017	70,653
Meters	37,077	34,231
Customer installations	27,221	21,984
Miscellaneous	79,865	72,636
Maintenance:		
Supervision and engineering	14,312	15,380
Structures and improvements	270	-
Reservoirs and standpipes	-	13,511
Mains	243,918	195,755
Services	47,295	69,491
Meters	1,631	345
Hydrants	19,508	23,889
Miscellaneous	<u>(2,073)</u>	<u>(3,852)</u>
Total transmission and distribution	<u>581,405</u>	<u>546,358</u>
Customer accounts:		
Supervision	14,853	28,337
Meter reading	8,524	7,691
Accounting and collecting labor	<u>106,820</u>	<u>94,284</u>
Total customer accounts	<u>130,197</u>	<u>130,312</u>
Administrative and general:		
Salaries	210,066	182,170
Office supplies	3,697	3,690
Outside services employed	26,167	36,183
Property insurance	27,485	29,222
Injuries and damages	35,918	34,451
Employee pensions and benefits	262,709	338,519
Miscellaneous	13,202	9,843
Rents	<u>10,890</u>	<u>10,580</u>
Total administrative and general	<u>590,134</u>	<u>644,658</u>
Taxes	<u>83,797</u>	<u>80,632</u>
Total operation and maintenance	<u>2,829,624</u>	<u>3,171,198</u>
Depreciation	<u>1,590,694</u>	<u>1,614,242</u>
Total operating expenses	<u>4,420,318</u>	<u>4,785,440</u>
Operating income	<u>\$ 3,850,210</u>	<u>\$ 3,360,301</u>

## **Neenah Water Utility**

Rate of Return - Regulatory Basis  
 Years Ended December 31, 2021 and 2020

	<b>Water</b>	
	<b>2021</b>	<b>2020</b>
<b>Utility Financed Plant in Service</b>		
Beginning of year	\$ 57,067,379	\$ 55,867,793
End of year	<u>58,610,415</u>	<u>57,067,379</u>
Average	<u>57,838,897</u>	<u>56,467,586</u>
<b>Utility Financed Accumulated Depreciation</b>		
Beginning of year	(22,085,745)	(20,806,811)
End of year	<u>(23,189,929)</u>	<u>(22,085,745)</u>
Average	<u>(22,637,837)</u>	<u>(21,446,278)</u>
<b>Materials and Supplies</b>		
Beginning of year	95,847	120,511
End of year	<u>118,852</u>	<u>95,847</u>
Average	<u>107,350</u>	<u>108,179</u>
<b>Regulatory Liability</b>		
Beginning of year	(135,337)	(150,375)
End of year	<u>(120,299)</u>	<u>(135,337)</u>
Average	<u>(127,818)</u>	<u>(142,856)</u>
Average net rate base	<u>\$ 35,180,592</u>	<u>\$ 34,986,631</u>
Operating income, regulatory basis	<u>\$ 2,996,668</u>	<u>\$ 2,480,532</u>
Rate of return (percent)	<u>8.52 %</u>	<u>7.09 %</u>
Authorized rate of return (percent)	<u>7.50 %</u>	<u>7.50 %</u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.