

Green Bay Metropolitan
Sewerage District
Green Bay, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2020 and 2019



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Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

DECEMBER 31, 2020 AND 2019

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Independent auditors' report

To the Commissioners
Green Bay Metropolitan Sewerage District
Green Bay, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Green Bay Metropolitan Sewerage District, Green Bay, Wisconsin ("GBMSD") as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the GBMSD's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedules relating to pensions and other postemployment benefits on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the GBMSD's basic financial statements. The schedule of operating revenues and expenses and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 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 basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021, on our consideration of the GBMSD'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 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 GBMSD's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin

May 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The management of the Green Bay Metropolitan Sewerage District (GBMSD), offers readers of its financial statements this narrative overview and analysis for the fiscal year ended December 31, 2020 and 2019. Readers are encouraged to consider the information presented here in conjunction with the GBMSD's financial statements and notes to the financial statements to enhance their understanding of the GBMSD's financial performance.

The GBMSD has adopted a new brand: NEW Water. The GBMSD has proudly served Northeast Wisconsin for more than 80 years, serving the mission of leading water quality improvements for the bay of Green Bay through operational excellence, resource recovery, education, and watershed management. The organization will continue to be known as the Green Bay Metropolitan Sewerage District legally, and will continue to provide the same quality water treatment service customers have come to expect. This new brand complements a new attitude of viewing materials received as a resource to be recovered, rather than as with which to dispose. Further, the GBMSD will be working closely with the greater Northeast Wisconsin community toward a common goal of clean water, an essential part of the quality of life in the watershed area. Clean water from wastewater was one of the greatest innovations of the 20th century. The GBMSD looks forward to Watershed Conservation and Stewardship being its signature contribution to the 21st century.

Financial Highlights

- The assets and deferred outflows of the GBMSD exceeded its liabilities and deferred inflows at the close of the most recent year by \$240,317,495 (net position). Of this amount, unrestricted net position is \$43,717,514.
- The GBMSD's operating expenses increased by \$2,062,978.
- User fees from municipal waste increased \$1,168,800 and mill waste increased \$8,603.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis, the independent auditors' report, and the financial statements of the GBMSD. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Financial Statements

The financial statements of the GBMSD report information of the GBMSD using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the GBMSD's assets, deferred outflows, liabilities and deferred inflows, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the GBMSD creditors (liabilities). It also provides the basis for evaluating the capital structure of the GBMSD and assessing the liquidity and financial flexibility of the GBMSD.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the GBMSD's operations over the past year and can be used to determine whether the GBMSD has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities during the reporting period.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Financial Analysis of the GBMSD

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the GBMSD's financial activities for the years ending December 31, 2020 and 2019. These statements report the year-end balances of net position as well as the changes in net position from one year to the next. The balance of net position – the difference between assets and deferred outflows and liabilities and deferred inflows – measures the GBMSD's financial health or financial position. Over time, increases or decreases in the GBMSD's net position indicate whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and changes in governmental regulations must also be considered.

Net Position

A summary of the GBMSD's Statement of Net Position is presented below:

	Condensed Summary of Net Position			Variance of 2020 to 2019	
	12/31/2020	12/31/2019	12/31/2018	Increase (Decrease)	
				Dollars	%
Capital assets:					
Net plant in service	\$311,697,638	\$301,517,599	\$276,287,874	\$ 10,180,039	3.4
Construction in progress	21,657,660	40,904,386	49,545,742	(19,246,726)	(47.1)
Current, restricted and other assets	105,062,788	107,201,086	110,615,686	(2,138,298)	(2.0)
Total assets	438,418,086	449,623,071	436,449,302	(11,204,985)	(2.5)
Deferred outflows of resources	6,636,944	4,745,578	2,677,440	1,891,366	39.9
Current liabilities	16,592,864	23,393,503	19,273,288	(6,800,639)	(29.1)
Long-term liabilities	183,262,269	183,868,697	179,025,382	(606,428)	(0.3)
Total liabilities	199,855,133	207,262,200	198,298,670	(7,407,067)	(3.6)
Deferred inflows of resources	4,882,402	2,632,356	2,853,046	2,250,046	85.5
Net position:					
Net investment in capital assets	142,069,145	143,757,500	133,617,444	(1,688,355)	(1.2)
Restricted	54,530,836	62,640,820	65,606,683	(8,109,984)	(12.9)
Unrestricted	43,717,514	38,075,773	38,750,899	5,641,741	14.8
Total net position	\$240,317,495	\$244,474,093	\$237,975,026	\$ (4,156,598)	(1.7)

The largest portion of the GBMSD's net position (59%) is reflected in its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure); less any related outstanding indebtedness used to acquire those assets and deferred outflows. The GBMSD uses these capital assets for operational purposes; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the GBMSD's net position (23%) represents resources that are subject to external restrictions on how they may be used. The restricted net position of \$54,530,836 is made up of equipment and interceptor replacement (\$36,624,625), debt service (\$16,366,185) and pension (\$1,540,026). The remaining \$43,717,514 balance is considered unrestricted at the end of 2020.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. A summary of the Statement of Revenues, Expenses, and Changes in Net Position is shown below:

Condensed Summary of Revenues, Expenses and Changes in Net Position	Variance of 2020 to 2019				
	Increase (Decrease)				
	2020	2019	2018	Dollars	%
Revenues					
Operating revenues	\$ 43,131,235	\$ 41,762,537	\$ 41,219,560	\$ 1,368,698	3.3
Non-operating revenues	1,697,797	2,294,107	1,425,734	(596,310)	(26.0)
Total Revenues	44,829,032	44,056,644	42,645,294	772,388	1.8
Expenses					
Depreciation expense	13,648,659	11,603,616	9,672,536	2,045,043	17.6
Other operating expense	23,726,869	23,708,934	23,067,242	17,935	0.1
Total operating expenses	37,375,528	35,312,550	32,739,778	2,062,978	5.8
Non-operating expenses	15,642,670	2,662,853	2,907,620	12,979,817	487.4
Total expenses	53,018,198	37,975,403	35,647,398	15,042,795	39.6
Increase in net position before capital contributions	(8,189,166)	6,081,241	6,997,896	(14,270,407)	(234.7)
Capital contributions	4,032,568	417,826	2,427,670	3,614,742	865.1
Change in net position	(4,156,598)	6,499,067	9,425,566	(10,655,665)	(164.0)
Net position, January 1	244,474,093	237,975,026	228,549,460	6,499,067	2.7
Net position, December 31	\$240,317,495	\$244,474,093	\$237,975,026	\$ (4,156,598)	(1.7)

Net position decreased by \$4,156,598. Key elements of this decrease are as follows:

- Operating income of \$5,755,707 from 2020 decreased from prior year operating income of \$6,449,987. The decrease was due to an increase in operating expenses of \$2,062,998, with the largest percentage due to increased depreciation due to plant upgrade costs being reclassified from work in progress during 2020, offset by additional operating revenues of \$1,368,698. Municipal waste fees increased \$1,168,800 and mill waste increased \$8,603.
- Operating income of \$6,449,987 from 2019 decreased from prior year operating income of \$8,479,782. The decrease was due to an increase in operating expenses of \$2,572,772, with the largest percentage due to increased depreciation due to plant upgrade costs being reclassified from work in progress during 2019, offset by additional operating revenues of \$542,977. Municipal waste fees increased \$1,054,934, while mill waste decreased \$68,349.

BUDGETARY HIGHLIGHTS

The GBMSD adopts an annual budget and a five-year capital plan following public budget workshops and a public hearing. The budget includes proposed expenses for operations, debt service, and plant and equipment. The budget then identifies the means of financing the expenses. The budget is used as the basis for establishing user rates on an annual basis. A budget comparison and analysis is presented to management as interim financial statements; however, they are not reported on nor shown in the financial statement section of this report.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The following is a summary of the 2020 budget:

	Budget	Actual	Variance
Revenues	\$ 39,630,962	\$ 43,131,235	\$ 3,500,273
Expenses:			
Salaries and benefits	11,383,710	11,764,581	(380,871)
Power	1,607,896	2,006,818	(398,922)
Contracted services	3,863,924	3,119,659	744,265
Maintenance - plant	1,634,541	2,105,742	(471,201)
Chemicals	978,403	1,549,300	(570,897)
Natural gas and fuel oil	702,907	670,150	32,757
Solid waste disposal	254,828	459,298	(204,470)
Maintenance - interceptors	631,136	409,836	221,300
Office related expenses	659,991	572,196	87,795
Insurance	290,490	314,697	(24,207)
Supplementary expenses	352,774	674,441	(321,667)
Employee development	178,562	73,572	104,990
Travel and meetings	88,493	6,579	81,914
Total Expenses	<u>22,627,655</u>	<u>23,726,869</u>	<u>(1,099,214)</u>
Net change	<u>\$ 17,003,307</u>	<u>\$ 19,404,366</u>	<u>\$ 2,401,059</u>

The following is a summary of the 2019 budget:

	Budget	Actual	Variance
Revenues	\$ 38,260,254	\$ 41,762,537	\$ 3,502,283
Expenses:			
Salaries and benefits	10,740,216	11,478,404	(738,188)
Power	1,616,725	1,928,627	(311,902)
Contracted services	3,119,520	3,135,254	(15,734)
Maintenance - plant	1,477,989	1,273,556	204,433
Chemicals	1,132,387	1,439,175	(306,788)
Natural gas and fuel oil	326,549	747,964	(421,415)
Solid waste disposal	283,828	798,856	(515,028)
Maintenance - interceptors	889,680	1,181,352	(291,672)
Office related expenses	542,852	537,212	5,640
Insurance	274,830	299,763	(24,933)
Supplementary expenses	528,250	700,319	(172,069)
Employee development	186,978	127,632	59,346
Travel and meetings	72,471	60,820	11,651
Total Expenses	<u>21,192,275</u>	<u>23,708,934</u>	<u>(2,516,659)</u>
Net change	<u>\$ 17,067,979</u>	<u>\$ 18,053,603</u>	<u>\$ 985,624</u>

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CAPITAL ASSETS

At the end of 2020, the GBMSD had \$472,665,165 invested in capital assets including two treatment plants and interceptors.

Capital Assets			
	2020	2019	2018
Land and land improvements	\$ 11,492,745	\$ 4,048,104	\$ 4,048,104
Structures	163,803,665	173,319,120	170,646,298
Machinery and equipment	184,093,478	189,658,971	157,165,970
Furniture and fixtures	718,989	844,575	535,232
Autos and trucks	1,546,103	1,548,559	1,593,610
Interceptors	86,844,551	86,826,972	85,664,881
Amortizable assets	2,507,974	2,543,109	2,543,109
Construction in process	21,657,660	40,904,386	49,545,742
Total	<u>472,665,165</u>	<u>499,693,796</u>	<u>471,742,946</u>
Less: Accumulated depreciation	<u>139,309,867</u>	<u>157,271,811</u>	<u>145,909,330</u>
Net Capital Assets	<u>\$ 333,355,298</u>	<u>\$ 342,421,985</u>	<u>\$ 325,833,616</u>

More detailed information about the GBMSD's capital assets is presented in Note 2.D of the financial statements.

DEBT ADMINISTRATION

In order to abate levying a tax for debt service, the GBMSD maintains cash and investments in a reserve fund in an amount no less than what is required to meet the balance of the current year's debt service requirements plus the subsequent year's debt service. By October 1 of each year, the GBMSD's customers are informed that the GBMSD will not levy any taxes for the existing debt service. The GBMSD believes the most equitable method is collecting for municipal debt service requirements based on the flow and loadings to the plant. Procter and Gamble and Green Bay Packaging are assessed debt service cost based on its contractual plant capacity.

Indebtedness outstanding at December 31, 2020 and 2019 amounted to \$191.7 million, and \$190.9 million, respectively. This balance includes funds received by the GBMSD through the State of Wisconsin Clean Water Fund Loan program, which has replaced grant funding for the construction of wastewater treatment facilities, and General Obligation Bonds. More detailed information about the GBMSD's long-term liabilities is presented in Note 2.E of the financial statements.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission and management of the GBMSD considered many factors when setting the fiscal year budgets, user fees, and charges. One of those factors is the local economy, and the impact the GBMSD rates have on the major industries. By maintaining competitive rates, the GBMSD believes it can help keep its industrial customers competitive in their respective markets. The following table presents the budget rate history:

Municipal Rate History

Fiscal Year	Volume	Suspended				Fixed Charge
	(Per 1,000 gallons)	BOD (Per Lb.)	Solids (Per Lb.)	Phosphorus (Per Lb.)	TKN (Per Lb.)	
2010	0.61640	0.20704	0.23233	0.82987	0.67116	N/A
2011	0.71112	0.23857	0.26360	0.70698	0.87221	N/A
2012	0.84274	0.26511	0.29365	0.48596	0.76667	N/A
2013	0.85682	0.30901	0.34795	0.62393	0.78995	N/A
2014	0.76333	0.33466	0.29867	0.62124	0.68741	0.46763
2015	0.80448	0.39331	0.34822	0.56768	0.65358	0.52659
2016	0.79357	0.43068	0.41292	0.60597	0.64043	0.54580
2017	0.71260	0.41913	0.36651	0.58901	0.76448	0.78834
2018	0.69897	0.35126	0.28304	0.75833	0.70556	0.93605
2019	0.72428	0.29558	0.26732	0.44398	0.74148	0.98048
2020	0.72007	0.33516	0.27929	0.71609	0.82425	0.94829

Mill Rate History

Fiscal Year	Volume	Suspended			TKN (Per Lb.)
	(Per 1,000 gallons)	BOD (Per Lb.)	Solids (Per Lb.)	Phosphorus (Per Lb.)	
2010	0.42111	0.16810	0.21243	0.78548	0.56928
2011	0.43660	0.17744	0.22522	0.61497	0.66935
2012	0.47128	0.18786	0.20413	0.36372	0.55581
2013	0.50944	0.20116	0.19775	0.44714	0.57453
2014	0.51836	0.24896	0.19362	0.50636	0.56970
2015	0.52549	0.26270	0.19420	0.40750	0.50956
2016	0.53420	0.25789	0.18371	0.38906	0.49819
2017	0.58553	0.26840	0.20301	0.43617	0.64142
2018	0.58847	0.28878	0.22148	0.69239	0.64105
2019	0.58964	0.23376	0.20216	0.29866	0.67460
2020	0.56266	0.25891	0.20401	0.56941	0.74910

GBMSD CONTACT INFORMATION

This financial report is designed to provide a general overview of the finances of the GBMSD for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Beth Weller-Titus, Accounting Manager, 2231 N. Quincy Street, Green Bay, WI 54302.

FINANCIAL STATEMENTS

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

STATEMENTS OF NET POSITION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and investments	\$ 41,842,745	\$ 35,777,010
Restricted cash	1,772,724	1,431,876
Receivables		
Customer accounts	6,310,536	6,214,124
Other	149,212	266,929
Inventories	1,298,805	1,378,584
Prepaid items	243,566	144,315
	<u>51,617,588</u>	<u>45,212,838</u>
Total current assets		
Noncurrent assets		
Restricted assets		
Cash	30,678,324	39,033,962
Investments	18,627,851	20,276,810
Accrued interest receivable	1,102,195	616,135
Interceptor cost recovery receivable	1,496,804	2,061,341
	<u>51,905,174</u>	<u>61,988,248</u>
Total restricted assets		
Other assets		
Net pension asset	1,540,026	-
	<u>1,540,026</u>	<u>-</u>
Capital assets		
Construction in progress		
Nondepreciable	21,657,660	40,904,386
Wastewater treatment facilities		
Nondepreciable	706,857	706,857
Depreciable, net	247,416,075	235,678,980
Interceptor sewers		
Depreciable, net	63,574,706	65,131,762
	<u>63,574,706</u>	<u>65,131,762</u>
Total capital assets	<u>333,355,298</u>	<u>342,421,985</u>
Total assets	<u>438,418,086</u>	<u>449,623,071</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on advance refunding	2,400,674	-
Pension related amounts	3,637,298	4,602,949
Other postemployment related amounts	598,972	142,629
	<u>6,636,944</u>	<u>4,745,578</u>
Total deferred outflows of resources		

The notes to the financial statements are an integral part of this statement.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

STATEMENTS OF NET POSITION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,108,022	9,100,613
Accrued and other current liabilities	303,511	530,078
Compensated absences	574,734	510,734
Unearned revenue	-	429,694
Current portion of long-term debt	11,833,873	11,390,508
Payable from restricted assets		
Accounts payable	1,085,637	652,572
Accrued interest	687,087	779,304
Total current liabilities	<u>16,592,864</u>	<u>23,393,503</u>
Long-term obligations, less current portion		
General obligation debt	180,318,452	179,818,622
Compensated absences	1,477,580	1,391,984
Unearned revenue	-	66,551
Net pension liability	-	1,700,516
Other postemployment benefits	1,466,237	891,024
Total long-term liabilities	<u>183,262,269</u>	<u>183,868,697</u>
Total liabilities	<u>199,855,133</u>	<u>207,262,200</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	4,616,742	2,349,818
Other postemployment related amounts	265,660	282,538
Total deferred inflows of resources	<u>4,882,402</u>	<u>2,632,356</u>
NET POSITION		
Net investment in capital assets	142,069,145	143,757,500
Restricted for equipment and interceptor replacement	36,624,625	39,105,917
Restricted for debt retirement	16,366,185	23,534,903
Restricted for pension benefits	1,540,026	-
Unrestricted	43,717,514	38,075,773
Total net position	<u>\$ 240,317,495</u>	<u>\$ 244,474,093</u>

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES	\$ 43,131,235	\$ 41,762,537
OPERATING EXPENSES	<u>37,375,528</u>	<u>35,312,550</u>
Operating income	<u>5,755,707</u>	<u>6,449,987</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,697,797	2,294,107
Loss on disposal of capital assets	(10,829,098)	(235,792)
Interest and fiscal charges	<u>(4,813,572)</u>	<u>(2,427,061)</u>
Total nonoperating revenues (expenses)	<u>(13,944,873)</u>	<u>(368,746)</u>
Income (Loss) before contributions	(8,189,166)	6,081,241
Capital contributions	<u>4,032,568</u>	<u>417,826</u>
Change in net position	(4,156,598)	6,499,067
Net position - January 1	<u>244,474,093</u>	<u>237,975,026</u>
Net position - December 31	<u><u>\$ 240,317,495</u></u>	<u><u>\$ 244,474,093</u></u>

The notes to the financial statements are an integral part of this statement.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 42,656,295	\$ 41,333,137
Cash paid for employee wages and benefits	(11,747,527)	(10,551,325)
Cash paid to suppliers	(12,620,433)	(11,449,547)
Net cash provided by operating activities	<u>18,288,335</u>	<u>19,332,265</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(21,331,923)	(24,219,054)
Interceptor cost recovery income	564,537	346,308
Capital contributions	4,032,568	417,826
Proceeds from long-term debt	32,467,339	14,847,964
Premium on long-term debt	153,944	-
Issuance costs paid on long-term debt	(339,900)	-
Payment to the escrow agent	(22,534,044)	-
Principal paid on long-term debt	(11,637,200)	(10,406,178)
Interest paid on long-term debt	(4,473,407)	(4,641,644)
Net cash used by capital and related financing activities	<u>(23,098,086)</u>	<u>(23,654,778)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	860,696	1,612,769
Purchase of investments	(2,000,000)	(6,137,880)
Proceeds from sales and maturities of investments	4,000,000	2,000,000
Net cash provided (used) by investing activities	<u>2,860,696</u>	<u>(2,525,111)</u>
Change in cash and cash equivalents	(1,949,055)	(6,847,624)
Cash and cash equivalents - January 1	<u>76,242,848</u>	<u>83,090,472</u>
Cash and cash equivalents - December 31	<u>\$ 74,293,793</u>	<u>\$ 76,242,848</u>

The notes to the financial statements are an integral part of this statement.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 5,755,707	\$ 6,449,987
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	13,648,659	11,603,616
Change in liability and deferred outflows and inflows of resources		
Net pension asset	(1,540,026)	1,409,807
Deferred outflows - Pension related	965,651	(2,032,823)
Deferred outflows - OPEB related	(456,343)	(35,315)
Net pension liability	(1,700,516)	1,700,516
Other postemployment benefits	575,213	(101,272)
Deferred inflows - Pension related	2,266,924	(437,055)
Deferred inflows - OPEB related	(16,878)	216,365
Change in operating assets and liabilities		
Accounts receivables	21,305	(44,953)
Inventories and prepaid items	(19,472)	(324,968)
Accounts payable	(638,673)	1,105,951
Accrued and other current liabilities	(226,567)	34,746
Unearned revenue	(496,245)	(384,447)
Compensated absences	149,596	172,110
Net cash provided by operating activities	<u>\$ 18,288,335</u>	<u>\$ 19,332,265</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ 41,842,745	\$ 35,777,010
Cash and cash equivalents in restricted assets	<u>32,451,048</u>	<u>40,465,838</u>
Total cash and cash equivalents	<u>\$ 74,293,793</u>	<u>\$ 76,242,848</u>

The notes to the financial statements are an integral part of this statement.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Green Bay Metropolitan Sewerage District, Green Bay, Wisconsin (the "GBMSD"), 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 GBMSD are described below:

A. REPORTING ENTITY

The GBMSD was organized in 1931, under Section 66.20 of the Wisconsin Statutes, to construct interceptor sewers, including rights-of-way and appurtenances, and construct and operate a sewage disposal plant. The GBMSD's service area includes all of the Cities of Green Bay and De Pere; Villages of Allouez, Ashwaubenon, Bellevue, Hobart, Howard, Luxemburg, Pulaski, and Suamico; the Towns of Ledgeview Sanitary District #2, Lawrence Utility District, Pittsfield Sanitary District #1, Scott Sanitary District #1, Dyckesville Sanitary District, New Franken Sanitary District, Royal Scot Sanitary District, and Bayshore Sanitary District.

The GBMSD, the City of Green Bay, and two paper mills located within the Green Bay city limits (Georgia-Pacific Consumer Products LP and Procter & Gamble Paper Products Company) have entered into a tripartite agreement setting forth the distribution of total cost of construction and operation of the wastewater treatment facilities. Pursuant to agreements, the two paper mills share proportionately in the principal and interest payments falling due during the fiscal year, thus reducing the amount assessable to the various municipalities with the GBMSD. Each entity utilizing the GBMSD's services is billed for the actual units of volume and strength of its sewage treated. Georgia-Pacific Consumer Products LP has discontinued discharging into the GBMSD's system. In 2014, Georgia-Pacific Consumer Products LP prepaid its remaining portion of outstanding debt.

The GBMSD is governed by a five member Board of Commission, appointed by the Brown County Executive, and operates under the jurisdiction of the Wisconsin State Statutes. In accordance with GAAP, the financial statements are required to include the GBMSD and any separate component units that have a significant operational or financial relationship with the GBMSD. The GBMSD has not identified any component units that are required to be included in the financial statements.

B. ENTERPRISE FUND

The accounts of the GBMSD are accounted for in 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 accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statement present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the GBMSD's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the GBMSD'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.

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. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

4. 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.

5. 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.

6. Capital Assets

Capital assets, which include property, plant and equipment assets, are reported in the financial statements. Capital assets are defined by the GBMSD as assets with an initial, individual cost of \$2,500 for general assets or \$5,000 for computers, 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.

Green Bay Metropolitan Sewerage District

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Capital assets of the GBMSD are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 80
Improvements	3 - 80
Sewers	50 - 100
Equipment	3 - 30

7. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses and revenues are deferred until the future periods to which the outflows and inflows are applicable.

8. Unearned Revenues

Unearned revenues are reported for amounts received prior to the GBMSD earning the funds.

9. 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.

10. Compensated Absences

It is the GBMSD's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies. All vacation and sick leave is accrued when incurred in the financial statements.

11. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

13. Net Position

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

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

14. Capital Contributions

Capital contributions consist of interceptor connection charges, contributed capital assets, and federal and state grants received to pay a portion of the construction costs of the wastewater treatment facility.

E. USE OF ESTIMATES

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

F. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position or changes in net position.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The GBMSD 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 GBMSD’s cash and investments totaled \$92,921,644 and \$96,519,658 on December 31, 2020 and 2019, respectively, as summarized below:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Deposits with financial institutions	\$ 23,021,461	\$ 46,892,669
Investments	69,900,183	49,626,989
	<u>\$ 92,921,644</u>	<u>\$ 96,519,658</u>

Reconciliation to the financial statements:

Statement of net position		
Cash and investments	\$ 41,842,745	\$ 35,777,010
Restricted cash	32,451,048	40,465,838
Restricted investments	18,627,851	20,276,810
	<u>\$ 92,921,644</u>	<u>\$ 96,519,658</u>

Fair Value Measurements

The GBMSD 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 GBMSD has the following fair value measurements as of December 31, 2020:

	Fair Value Measurements Using:		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
U.S. Treasury notes	\$ -	\$ 18,600,938	\$ -
Corporate bonds	-	2,023,320	-
Money market funds	49,275,925	-	-
	<u>\$ 49,275,925</u>	<u>\$ 20,624,258</u>	<u>\$ -</u>

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

The GBMSD has the following fair value measurements as of December 31, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. Treasury notes	\$ -	\$ 18,237,960	\$ -
Corporate bonds	-	2,038,850	-
Money market funds	29,350,179	-	-
	<u>\$ 29,350,179</u>	<u>\$ 20,276,810</u>	<u>\$ -</u>

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin Statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The GBMSD 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. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020 and 2019, \$22,568,316 and \$45,988,334, respectively, of the GBMSD's deposits with financial institutions were in excess of federal and state depository insurance limits. GBMSD's financial institution's trust department pledged collateral with a fair market value of \$45,051,580 as of December 31, 2020 and \$45,998,334 as of December 31, 2019.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

Presented below is the actual rating as of December 31, 2020 for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	AA	Not Rated
U.S. Treasury notes	\$ 18,600,938	\$ 18,600,938	\$ -	\$ -	\$ -
Corporate bonds	2,023,320	-	1,022,199	1,001,121	-
Money market funds	49,275,925	-	-	-	49,275,925
Totals	<u>\$ 69,900,183</u>	<u>\$ 18,600,938</u>	<u>\$ 1,022,199</u>	<u>\$ 1,001,121</u>	<u>\$ 49,275,925</u>

Presented below is the actual rating as of December 31, 2019 for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	AA	Not Rated
U.S. Treasury notes	\$ 18,237,960	\$ 18,237,960	\$ -	\$ -	\$ -
Corporate bonds	2,038,850	-	1,013,610	1,025,240	-
Money market funds	29,350,179	-	-	-	29,350,179
Totals	<u>\$ 49,626,989</u>	<u>\$ 18,237,960</u>	<u>\$ 1,013,610</u>	<u>\$ 1,025,240</u>	<u>\$ 29,350,179</u>

Concentration of Credit Risk

The investment policy of the GBMSD allows that no more than 50% of its total investment portfolio can be invested in any one issuer, other than U.S. agency obligations, U.S. treasury obligations, certificates of deposit, and authorized pools. At December 31, 2020 and 2019, the GBMSD had no investments in any one issuer that represent 5% or more of total GBMSD investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the GBMSD manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. In accordance with its investment policy, the GBMSD manages its exposure to declines in fair values by limiting the maximum maturity dates as follows:

- ▶ No more than 80% will have a maturity date greater than two years from purchase.
- ▶ No more than 50% will have a maturity date greater than three years from purchase.
- ▶ No more than 30% will have a maturity date greater than four years from purchase.
- ▶ No more than 20% will have a maturity date greater than five years from purchase.
- ▶ No more than 10% will have a maturity date greater than six years from purchase.

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Information about the sensitivity of the fair values of the GBMSD's investments to market interest rate fluctuations is provided by the following tables.

As of December 31, 2020, GBMSD had the following investments and maturities:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury notes	\$18,600,938	\$ 4,038,750	\$ 2,043,125	\$ 12,519,063	\$ -
Corporate bonds	2,023,320	1,001,121	1,022,199	-	-
Money market funds	49,275,925	49,275,925	-	-	-
Totals	<u>\$69,900,183</u>	<u>\$54,315,796</u>	<u>\$ 3,065,324</u>	<u>\$ 12,519,063</u>	<u>\$ -</u>

As of December 31, 2019, GBMSD had the following investments and maturities:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury notes	\$18,237,960	\$ 4,014,460	\$ 4,030,080	\$ 10,193,420	\$ -
Corporate bonds	2,038,850	-	1,025,240	1,013,610	-
Money market funds	29,350,179	29,350,179	-	-	-
Totals	<u>\$49,626,989</u>	<u>\$33,364,639</u>	<u>\$ 5,055,320</u>	<u>\$ 11,207,030</u>	<u>\$ -</u>

B. RESTRICTED ASSETS

Restricted assets on December 31, 2020 totaled \$76,177,898 held for the following purposes:

	Equipment and Interceptor Replacement	Debt Retirement	Total
Cash, cash equivalents and investments	\$ 34,997,701	\$ 16,081,198	\$ 51,078,899
Receivables			
Accrued interest receivable	130,122	972,073	1,102,195
Interceptor cost recovery	1,496,804	-	1,496,804
Total	<u>\$ 36,624,627</u>	<u>\$ 17,053,271</u>	<u>\$ 53,677,898</u>

Restricted assets on December 31, 2019 totaled \$63,420,124 held for the following purposes:

	Equipment and Interceptor Replacement	Debt Retirement	Total
Cash, cash equivalents and investments	\$ 36,906,200	\$ 23,836,448	\$ 60,742,648
Receivables			
Accrued interest receivable	138,376	477,759	616,135
Interceptor cost recovery	2,061,341	-	2,061,341
Total	<u>\$ 39,105,917</u>	<u>\$ 24,314,207</u>	<u>\$ 63,420,124</u>

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

	<u>Purpose</u>
Plant and equipment replacement account	As a condition of receiving state and federal funds for wastewater treatment facility construction, the GBMSD has established an account for replacement of mechanical equipment during the life of the facility.
Interceptor replacement account	The interceptor cost recovery receivables and payments are kept in a separate restricted account to pay any debt incurred in connection with the construction and also repair and replacement of interceptor facilities.
Debt retirement account	In order to allow the GBMSD to abate levying a tax for debt service, the GBMSD maintains cash and investments in a sinking fund in an amount no less than what is required to meet the balance of the current year debt service requirements plus the subsequent year's debt service requirements.
Construction account	Used to report debt proceeds or other financial resources available for use in construction projects.

C. INTERCEPTOR COST RECOVERY RECEIVABLE

The GBMSD has agreements with various municipal customers in which the municipalities have agreed to reimburse the GBMSD for the cost of interceptors owned by the GBMSD whose capacity has been allocated to the municipalities.

Annual repayments on the receivables for the year ended December 31, 2020 are as follows:

<u>Year Ended December 31,</u>	<u>Total</u>
2021	\$ 310,075
2022	321,121
2023	199,327
2024	178,674
2025	186,099
2026-2030	50,135
2031-2035	59,258
2036-2040	40,613
2041 and thereafter	151,502
	<u>\$ 1,496,804</u>

On September 29, 2020, the GBMSD entered into a new interceptor agreement with the Village of Hobart. Total payments will be \$1,001,158, which will be repaid March 2022 through March 2040. These future payments are not reflected in the receivable above.

Green Bay Metropolitan Sewerage District

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

D. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Construction in progress				
Capital assets, nondepreciable	\$ 40,904,386	\$ 8,966,274	\$ 28,213,000	\$ 21,657,660
Wastewater Treatment Facilities				
Capital assets, nondepreciable				
Land	706,857	-	-	706,857
Capital assets, depreciable				
Land improvements	3,341,247	7,444,641	-	10,785,888
Structures and equipment	170,180,477	5,539,636	15,096,658	160,623,455
Machinery and equipment	189,658,971	21,581,361	27,146,854	184,093,478
Furniture and fixtures	844,575	-	125,586	718,989
Autos and trucks	1,548,559	33,010	35,466	1,546,103
Amortizable assets	2,543,109	-	35,135	2,507,974
Subtotals	<u>368,116,938</u>	<u>34,598,648</u>	<u>42,439,699</u>	<u>360,275,887</u>
Less accumulated depreciation for:				
Land improvements	2,873,014	233,381	-	3,106,395
Structures and equipment	59,433,875	3,816,362	9,060,512	54,189,725
Machinery and equipment	67,644,979	7,703,530	22,368,006	52,980,503
Furniture and fixtures	237,135	53,258	125,586	164,807
Autos and trucks	665,201	51,004	30,146	686,059
Amortizable assets	1,583,754	174,920	26,351	1,732,323
Subtotals	<u>132,437,958</u>	<u>12,032,455</u>	<u>31,610,601</u>	<u>112,859,812</u>
Total capital assets, depreciable, net	<u>235,678,980</u>	<u>22,566,193</u>	<u>10,829,098</u>	<u>247,416,075</u>
Total wastewater treatment facilities, net	<u>236,385,837</u>	<u>22,566,193</u>	<u>10,829,098</u>	<u>248,122,932</u>
Interceptor Sewers				
Capital assets, depreciable				
Structures	3,138,646	41,564	-	3,180,210
Interceptors	86,826,972	17,579	-	86,844,551
Subtotals	<u>89,965,618</u>	<u>59,143</u>	<u>-</u>	<u>90,024,761</u>
Less accumulated depreciation for:				
Structures	1,679,534	76,900	-	1,756,434
Interceptors	23,154,322	1,539,299	-	24,693,621
Subtotals	<u>24,833,856</u>	<u>1,616,199</u>	<u>-</u>	<u>26,450,055</u>
Total capital assets, depreciable, net	<u>65,131,762</u>	<u>(1,557,056)</u>	<u>-</u>	<u>63,574,706</u>
Total interceptor sewers, net	<u>65,131,762</u>	<u>(1,557,056)</u>	<u>-</u>	<u>63,574,706</u>
Total capital assets, net	<u>\$342,421,985</u>	<u>\$ 29,975,411</u>	<u>\$ 39,042,098</u>	<u>\$333,355,298</u>

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Construction in progress				
Capital assets, nondepreciable	\$ 49,545,742	\$ 28,427,775	\$ 37,069,131	\$ 40,904,386
Wastewater Treatment Facilities				
Capital assets, nondepreciable				
Land	706,857	-	-	706,857
Capital assets, depreciable				
Land improvements	3,341,247	-	-	3,341,247
Structures and equipment	167,732,100	2,577,498	129,121	170,180,477
Machinery and equipment	157,165,970	32,500,347	7,346	189,658,971
Furniture and fixtures	535,232	318,788	9,445	844,575
Autos and trucks	1,593,610	-	45,051	1,548,559
Amortizable assets	2,543,109	-	-	2,543,109
Subtotals	<u>332,911,268</u>	<u>35,396,633</u>	<u>190,963</u>	<u>368,116,938</u>
Less accumulated depreciation for:				
Land improvements	2,808,783	64,231	-	2,873,014
Structures and equipment	55,434,881	4,076,521	77,527	59,433,875
Machinery and equipment	61,979,142	5,670,099	4,262	67,644,979
Furniture and fixtures	225,201	21,379	9,445	237,135
Autos and trucks	657,352	52,901	45,052	665,201
Amortizable assets	1,391,646	192,108	-	1,583,754
Subtotals	<u>122,497,005</u>	<u>10,077,239</u>	<u>136,286</u>	<u>132,437,958</u>
Total capital assets, depreciable, net	<u>210,414,263</u>	<u>25,319,394</u>	<u>54,677</u>	<u>235,678,980</u>
Total wastewater treatment facilities, net	<u>211,121,120</u>	<u>25,319,394</u>	<u>54,677</u>	<u>236,385,837</u>
Interceptor Sewers				
Capital assets, depreciable				
Structures	2,914,198	230,268	5,820	3,138,646
Interceptors	85,664,881	1,442,230	280,139	86,826,972
Subtotals	<u>88,579,079</u>	<u>1,672,498</u>	<u>285,959</u>	<u>89,965,618</u>
Less accumulated depreciation for:				
Structures	1,622,271	63,083	5,820	1,679,534
Interceptors	21,790,054	1,463,293	99,025	23,154,322
Subtotals	<u>23,412,325</u>	<u>1,526,376</u>	<u>104,845</u>	<u>24,833,856</u>
Total capital assets, depreciable, net	<u>65,166,754</u>	<u>146,122</u>	<u>181,114</u>	<u>65,131,762</u>
Total interceptor sewers, net	<u>65,166,754</u>	<u>146,122</u>	<u>181,114</u>	<u>65,131,762</u>
Total capital assets, net	<u>\$325,833,616</u>	<u>\$ 53,893,291</u>	<u>\$ 37,304,922</u>	<u>\$342,421,985</u>

The asset additions included \$2,169,410 of capitalized interest.

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the GBMSD for the year ended December 31, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Notes from direct borrowings					
Clean water fund	\$ 163,936,802	\$ 9,747,339	\$ 10,948,576	\$ 162,735,565	\$ 10,894,819
G.O. Bonds - Bonded	25,940,000	22,720,000	20,580,000	28,080,000	825,000
G.O. Notes - Bonded	1,037,251	-	108,624	928,627	114,054
Total	<u>190,914,053</u>	<u>32,467,339</u>	<u>31,637,200</u>	<u>191,744,192</u>	<u>11,833,873</u>
Debt premium	295,077	153,944	40,888	408,133	-
Compensated absences	1,902,718	660,330	510,734	2,052,314	574,734
Total long-term obligations	<u>\$ 193,111,848</u>	<u>\$ 33,281,613</u>	<u>\$ 32,188,822</u>	<u>\$ 194,204,639</u>	<u>\$ 12,408,607</u>

The following is a summary of changes in long-term obligations of the GBMSD for the year ended December 31, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Notes from direct borrowings					
Clean water fund	\$ 158,826,566	\$ 14,847,964	\$ 9,737,728	\$ 163,936,802	\$ 10,701,885
G.O. Bonds - Bonded	26,505,000	-	565,000	25,940,000	580,000
G.O. Notes - Bonded	1,140,701	-	103,450	1,037,251	108,623
Total	<u>186,472,267</u>	<u>14,847,964</u>	<u>10,406,178</u>	<u>190,914,053</u>	<u>11,390,508</u>
Debt premium	327,863	-	32,786	295,077	-
Compensated absences	1,730,608	781,009	608,899	1,902,718	510,734
Total long-term obligations	<u>\$ 188,530,738</u>	<u>\$ 15,628,973</u>	<u>\$ 11,047,863</u>	<u>\$ 193,111,848</u>	<u>\$ 11,901,242</u>

Total interest paid on long-term debt during the years ended December 31, 2020 and 2019 totaled \$4,473,407 and \$4,641,644, respectively.

Clean Water Fund Loan Programs

The District's outstanding notes from direct borrowings of \$162,735,565 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 District 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.

Green Bay Metropolitan Sewerage District

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance	
					12/31/20	12/31/19
Clean water fund	08/23/00	05/01/20	3.150%	\$ 3,222,103	\$ -	\$ 213,850
Clean water fund	10/25/00	05/01/20	3.432%	1,924,428	-	130,108
Clean water fund	12/13/00	05/01/20	2.970%	2,159,850	-	140,634
Clean water fund	07/11/01	05/01/21	3.175%	1,490,715	99,042	195,036
Clean water fund	07/11/01	05/01/21	3.355%	946,212	63,573	125,083
Clean water fund	01/23/02	05/01/21	2.933%	3,881,879	253,810	500,388
Clean water fund	02/27/02	05/01/21	2.881%	695,592	45,068	88,873
Clean water fund	12/08/04	05/01/24	2.365%	5,347,693	1,344,626	1,661,593
Clean water fund	04/13/05	05/01/24	2.365%	2,761,525	697,351	861,736
General obligation notes	12/28/07	12/28/27	5.000%	2,000,000	928,628	1,037,251
Clean water fund	03/11/09	05/01/28	2.668%	9,861,264	4,770,062	5,298,734
Clean water fund	12/09/09	05/01/29	2.910%	4,211,341	2,376,971	2,605,164
Clean water fund	12/09/09	05/01/29	2.910%	12,821,922	6,964,943	7,633,590
Clean water fund	11/10/10	05/01/30	2.400%	3,421,382	1,919,860	2,087,977
Clean water fund	12/22/10	05/01/30	2.400%	3,246,148	1,849,397	2,011,344
Clean water fund	12/12/12	05/01/32	2.625%	2,891,810	1,919,973	2,054,631
Clean water fund	04/10/13	05/01/32	2.625%	3,086,300	2,121,401	2,270,187
General obligation bonds	08/30/13	05/01/38	4.00 - 4.54%	20,000,000	-	20,000,000
Clean water fund	01/08/14	05/01/33	2.625%	4,153,498	2,979,990	3,170,299
Clean water fund	08/13/14	05/01/34	2.625%	15,209,242	11,475,426	12,146,693
Clean water fund ⁽¹⁾	10/14/15	05/01/35	2.061%	138,880,269	109,342,028	114,039,787
Clean water fund	12/23/15	05/01/35	2.275%	1,789,477	1,434,057	1,513,540
General obligation bonds	03/01/18	05/01/28	2.00 - 5.00%	6,505,000	5,360,000	5,940,000
Clean water fund	09/11/19	05/01/39	1.76	13,543,329	13,077,986	5,187,555
General obligation bonds	05/27/20	11/01/38	2.00-2.50%	22,720,000	22,720,000	-
Total outstanding general obligation debt					<u>\$ 191,744,192</u>	<u>\$ 190,914,053</u>

⁽¹⁾ The District has authorized clean water fund debt of \$138,880,269, with total disbursed of \$126,172,022 as of December 31, 2020.

Annual principal and interest maturities of the outstanding general obligation debt of \$191,744,192 on December 31, 2020 are detailed below:

Year Ended December 31,	Bonded		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 939,054	\$ 695,985	\$ 10,894,819	\$ 3,509,679	\$ 16,039,537
2022	969,757	673,532	10,667,170	3,262,457	15,572,916
2023	995,744	647,195	10,906,359	3,027,046	15,576,344
2024	1,027,032	616,857	11,151,018	2,793,385	15,588,292
2025	1,063,633	585,431	10,860,245	2,554,341	15,063,650
2026-2030	6,953,407	2,392,607	55,509,484	9,162,092	74,017,590
2031-2035	11,000,000	1,329,917	49,621,994	3,533,841	65,485,752
2036-2039	6,060,000	223,710	3,124,476	152,116	9,560,302
	<u>\$ 29,008,627</u>	<u>\$ 7,165,234</u>	<u>\$ 162,735,565</u>	<u>\$ 27,994,957</u>	<u>\$ 226,904,383</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Legal Margin for New Debt

GBMSD's legal margin for creation of additional general obligation debt on December 31, 2020 was \$930,429,210 as follows:

Equalized valuation of GBMSD	\$22,443,468,033
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	1,122,173,402
Total outstanding general obligation debt applicable to debt limitation	<u>191,744,192</u>
Legal margin for new debt	<u>\$ 930,429,210</u>

Advance Refunding

During 2020, the District advance refunded a general obligation bond issue from 2013. The District issued \$22,720,000 of taxable general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunding bonds are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$2,879,331 and to obtain an economic gain (difference between the present value of the debt service payments refunded and refunding bonds) of \$2,380,282.

As of December 31, 2020, \$20,000,000 of outstanding general obligation bonds are considered to be defeased.

F. PENSION PLAN

1. 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 1200 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 WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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

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

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

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

The WRS also provides death and disability benefits for employees.

2. 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:

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4
2018	2.4	17
2019	0.0	(10)

3. Contributions

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

During the years ending December 31, 2020 and 2019, the WRS recognized \$588,401 and \$505,118, respectively, in contributions from the GBMSD.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

4. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020 and 2019, the GBMSD reported a liability (asset) of (\$1,540,026) and \$1,700,516, respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 and 2017 rolled forward to December 31, 2019 and 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The GBMSD's proportion of the net pension liability (asset) was based on the GBMSD's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the GBMSD's proportion was 0.04776082%, which was a decrease of 0.00003755% from its proportion measured as of December 31, 2018. At December 31, 2018, the GBMSD's proportion was 0.04779837%, which was an increase of 0.00031602% from its proportion measured as of December 31, 2017.

For the years ended December 31, 2020 and 2019, GBMSD recognized pension expense of \$581,390 and \$1,146,577, respectively.

At December 31, 2020 and 2019, the GBMSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2020		December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,923,323	\$ 1,462,927	\$ 1,324,444	\$ 2,341,141
Net differences between projected and actual earnings on pension plan investments	-	3,148,363	2,483,487	-
Changes in assumptions	120,009	-	286,644	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,565	5,452	3,256	8,677
Employer contributions subsequent to the measurement date	588,401	-	505,118	-
Total	<u>\$ 3,637,298</u>	<u>\$ 4,616,742</u>	<u>\$ 4,602,949</u>	<u>\$ 2,349,818</u>

\$588,401 reported as deferred outflows related to pension resulting from the GBMSD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2021	\$ (466,011)
2022	(348,367)
2023	55,485
2024	(808,952)
Total	<u>\$ (1,567,845)</u>

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NOTES TO FINANCIAL STATEMENTS
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5. Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is 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.

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 arithmetic real rates of return for each major asset class are summarized in the following table:

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Core Fund Asset Class	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Global equities	49%	8.1%	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%
Cash	-10%	0.9%	N/A
Total Core Fund	100%	7.5%	4.6%
Variable Fund Asset Class			
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 US CPI (Inflation) Forecast: 2.75%

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 for the current and prior year. 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% (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 members 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.

Sensitivity of the GBMSD's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the GBMSD's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the GBMSD'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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
GBMSD's proportionate share of the net pension liability (asset)			
December 31, 2020	\$ 3,965,844	\$ (1,540,026)	\$ (5,656,298)
December 31, 2019	\$ 6,758,029	\$ 1,700,516	\$ (2,060,137)

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

6. Payables to the Pension Plan

At December 31, 2020 and 2019, the GBMSD reported a payable of \$160,305 and \$82,103, respectively, for the outstanding amount of contributions to the pension plan for the years ended December 31, 2020 and 2019, respectively.

G. OTHER POSTEMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

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

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on member contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2020 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are listed below:

Life Insurance	
Member Contribution Rates	
For the Year Ended December 31, 2019	
Attained Age	Basic
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the year ending December 31, 2020 and 2019, the LRLIF recognized \$7,732 and \$6,846 in contributions from the employer, respectively.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020 and 2019, the GBMSD reported a liability (asset) of \$1,466,237 and \$891,024 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2018 and 2017 rolled forward to December 31, 2019 and 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The GBMSD' proportion of the net OPEB liability (asset) was based on the GBMSD' share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the GBMSD' proportion was 0.3433300%, which was a decrease of 0.00098000% from its proportion measured as of December 31, 2018. At December 31, 2018, the GBMSD' proportion was 0.34531300%, which was an increase of 0.01549100% from its proportion measured as of December 31, 2017.

For the years ended December 31, 2020 and 2019, the GBMSD recognized OPEB expense of \$152,788 and \$86,432, respectively.

At December 31, 2020 and 2019, the GBMSD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2020		December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 65,686	\$ -	\$ 45,201
Net differences between projected and actual earnings on OPEB plan investments	27,658	-	21,294	-
Changes in assumptions	540,901	161,275	85,017	193,139
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,413	38,699	36,318	44,198
Total	\$ 598,972	\$ 265,660	\$ 142,629	\$ 282,538

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2021	\$ 55,926
2022	55,926
2023	52,943
2024	49,872
2025	44,358
Thereafter	74,287
Total	<u>\$ 333,312</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2019
Measurement Date of net OPEB liability (asset)	December 31, 2019
Actuarial cost method:	Entry age normal
20-year tax-exempt municipal bond yield:	2.74%
Long-term expected rate of return:	4.25%
Discount rate:	2.87%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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 OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single discount rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the GBMSD’ proportionate share of net OPEB liability (asset) to changes in the discount rate. The following presents the GBMSD’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.22%, as well as what the GBMSD’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's proportionate share of the net OPEB liability (asset)			
December 31, 2020	\$ 2,024,628	\$ 1,466,237	\$ 1,041,410
December 31, 2019	\$ 1,267,541	\$ 891,024	\$ 600,627

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payable to the OPEB Plan

At December 31, 2020 and 2019, the GBMSD reported a payable of \$0 and \$3,846 for the outstanding amount of contributions to the Plan required for the years ended December 31, 2020 and 2019, respectively.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

H. NET POSITION

The GBMSD reports net investment in capital assets at December 31, 2020 and 2019 as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Capital assets	\$ 333,355,298	\$ 342,421,985
Less: Capital related debt	191,744,192	190,914,053
Less: Debt premium	408,133	295,077
Less: Capital related accounts payable	1,534,502	7,455,355
Add: Loss on advance refunding	2,400,674	-
Total net investment in capital assets	<u>\$ 142,069,145</u>	<u>\$ 143,757,500</u>

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
Restricted for		
Equipment and interceptor replacement	\$ 36,624,625	\$ 39,105,917
Debt retirement	16,366,185	23,534,903
Pension benefits	1,540,026	-
Total restricted net position	<u>\$ 54,530,836</u>	<u>\$ 62,640,820</u>

NOTE 3: OTHER INFORMATION

A. RISK MANAGEMENT

The GBMSD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The GBMSD completes an annual review of its insurance coverage to ensure adequate coverage. No settlements exceeded insurance coverage during any of the past three fiscal years.

B. CONTINGENCIES

GBMSD is involved in lawsuits related to failures of a force main constructed by contractors for GBMSD, resulting in repair costs incurred or expected to be incurred in the future by the parties to the lawsuit. Although GBMSD's portion of repair costs, net of any settlement, cannot be forecast with any certainty, management does not anticipate a material impact on GBMSD's financial position or results of operations. GBMSD is also party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the GBMSD's financial position or results of operations.

C. SUBSEQUENT EVENT

During 2021, the GBMSD issued additional general obligation bonds through the Clean Water Fund Loan Program, totaling \$257,686. Proceeds were used for capital improvements. Bonds are to be repaid from 2021 through 2035, with interest at 2.061%.

D. RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the GBMSD, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the GBMSD is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of May 17, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

<u>Plan 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 (Plan Year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.04721400%	\$ (1,159,705)	\$ 6,481,885	17.89%	102.74%
12/31/15	0.04696725%	763,209	6,688,466	11.41%	98.20%
12/31/16	0.04722948%	389,284	6,985,769	5.57%	99.12%
12/31/17	0.04748235%	(1,409,807)	6,990,465	20.17%	102.93%
12/31/18	0.04779837%	1,700,516	7,382,849	23.03%	96.45%
12/31/19	0.04776082%	(1,540,026)	7,711,717	19.97%	102.96%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

<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 (Fiscal Year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 454,816	\$ 454,816	\$ -	\$ 6,688,466	6.80%
12/31/16	461,061	461,061	-	6,985,769	6.60%
12/31/17	475,352	475,352	-	6,990,465	6.80%
12/31/18	494,651	494,651	-	7,382,849	6.70%
12/31/19	505,118	505,118	-	7,711,717	6.55%
12/31/20	588,401	588,401	-	8,717,053	6.75%

See notes to required supplementary information.

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.32982200%	\$ 992,296	\$ 6,990,465	14.19%	44.81%
12/31/18	0.34531300%	891,024	7,056,000	12.63%	48.69%
12/31/19	0.34433300%	1,466,237	7,200,000	20.36%	37.58%

**SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS**

<u>City 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-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
12/31/18	\$ 6,675	\$ 6,675	\$ -	\$ 7,056,000	0.09%
12/31/19	6,846	6,846	-	7,200,000	0.10%
12/31/20	7,732	7,732	-	8,717,053	0.09%

See notes to required supplementary information.

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020 AND 2019

A. WISCONSIN RETIREMENT SYSTEM

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

No significant change in assumptions were noted from the prior year.

GBMSD 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.

B. OTHER POSTEMPLOYMENT BENEFITS

There were no changes in benefit terms.

Actuarial assumptions were based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017 and the discount rate was updated to reflect the municipal bond rate at the completion of the actuarial valuation.

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

SUPPLEMENTARY INFORMATION

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

SCHEDULE OF OPERATING REVENUES AND EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for services		
User fees - municipal waste	\$ 38,338,607	\$ 37,169,807
User fees - mill waste	1,501,927	1,493,324
Capital revenue - mills	1,700,712	1,548,269
Other revenues	<u>1,589,989</u>	<u>1,551,137</u>
 Total operating revenues	 <u>43,131,235</u>	 <u>41,762,537</u>
OPERATING EXPENSES		
Salaries and wages	8,671,102	8,051,373
Fringe benefits	3,093,479	3,427,031
Employee development	73,572	127,632
Travel and meetings	6,579	60,820
Power	2,006,818	1,928,627
Natural gas and fuel oil	670,150	747,964
Chemicals	1,549,300	1,439,175
Maintenance - plant	2,105,742	1,273,556
Maintenance - interceptors	409,836	1,181,352
Contracted services	3,119,659	3,135,254
Insurance	314,697	299,763
Solid waste disposal	459,298	798,856
Office related expenses	572,196	537,212
Supplementary expenses	<u>674,441</u>	<u>700,319</u>
 Subtotal	 23,726,869	 23,708,934
Depreciation	<u>13,648,659</u>	<u>11,603,616</u>
Total operating expenses	<u>37,375,528</u>	<u>35,312,550</u>
 Operating income	 <u>\$ 5,755,707</u>	 <u>\$ 6,449,987</u>

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*

To the Board of Commissioners
Green Bay Metropolitan Sewerage District
Green Bay, 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 Green Bay Metropolitan Sewerage District, Green Bay, Wisconsin, (the "GBMSD") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the GBMSD's basic financial statements, and have issued our report thereon dated May 17, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the GBMSD'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 GBMSD's internal control. Accordingly, we do not express an opinion on the effectiveness of the GBMSD'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the GBMSD'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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 GBMSD'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 GBMSD's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin

May 17, 2021

FEDERAL AWARDS



Independent auditors' report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance

To the Commissioners
Green Bay Metropolitan Sewerage District
Green Bay, Wisconsin

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Green Bay Metropolitan Sewerage District, Green Bay, Wisconsin's (the "GBMSD") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on GBMSD's major federal program for the year ended December 31, 2020. GBMSD's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance of GBMSD's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GBMSD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of GBMSD's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, GBMSD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of GBMSD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GBMSD's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GBMSD's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
May 17, 2021

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Pass-through Identifying Number</u>	<u>Total Expenditures</u>	<u>Pass-through to Subrecipients</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Cooperative Forestry Assistance	10.664	Direct Program	Not Applicable	\$ 14,636	\$ 14,636
Total U.S. Department of Agriculture				<u>14,636</u>	<u>14,636</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>					
Costal Zone Management Administration	11.419	Direct Program	Not Applicable	1,125	1,125
Total U.S. Department of Commerce				<u>1,125</u>	<u>1,125</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
<i>Clean Water State Revolving Fund Cluster</i>					
Capitalization Grants for Clean Water State Revolving Funds	66.458	WI Department of Administration	4198-99	1,391,565	-
Great Lakes Program	66.469	Direct program	Not Applicable	<u>86,357</u>	<u>86,357</u>
Total U.S. Environmental Protection Agency				<u>1,477,922</u>	<u>86,357</u>
TOTAL FEDERAL AWARDS				<u>\$ 1,493,683</u>	<u>\$ 102,118</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

Green Bay Metropolitan Sewerage District

Green Bay, Wisconsin

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Green Bay Metropolitan Sewerage District (GBMSD) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of GBMSD, it is not intended to and does not present the financial position, changes in net position, or cash flows of GBMSD.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

GBMSD has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4: OVERSIGHT AGENCIES

The federal oversight agency for the GBMSD is the U.S. Environmental Protection Agency.

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Noncompliance material to basic financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Audit threshold used to determine between Type A and Type B programs:	
Federal Awards	\$750,000
Auditee qualified as low-risk auditee	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2020.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings related to the federal awards for the year ended December 31, 2020.

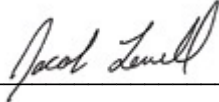
Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION IV - OTHER ISSUES

- 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

- 2. Was a Management Letter or other document conveying audit comments issued as a result of this audit? No

- 3. Name and signature of partner 

Jacob Lenell, CPA

- 4. Date of report May 17, 2021

Green Bay Metropolitan Sewerage District Green Bay, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2020

PRIOR YEAR AUDIT FINDINGS

There were no findings related to financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2019.

There were no findings or questioned costs for federal awards for the year ended December 31, 2019.

CORRECTIVE ACTION PLAN

None required.