

Waterford Waterway Management District

Financial Statements and
Supplementary Information

September 30, 2021

Waterford Waterway Management District

Table of Contents
September 30, 2021

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Index to Notes to Financial Statements	6
Notes to Financial Statements	7
Supplementary Information	
Operating Revenues and Expenses	11

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Commissioners of
Waterford Waterway Management District

Report on the Financial Statement

We have audited the accompanying financial statements of Waterford Waterway Management District, as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise the Waterford Waterway Management District'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Waterford Waterway Management District'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 Waterford Waterway Management District'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 financial position of Waterford Waterway Management District as of September 30, 2021 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
February 8, 2022

BASIC FINANCIAL STATEMENTS

Waterford Waterway Management District

Statement of Net Position

September 30, 2021

Assets

Cash and investments	\$ 332,532
Accounts receivables	14,863
Prepaid items	4,941
Capital assets, net of depreciation	<u>119,240</u>

Total assets	<u>471,576</u>
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Liabilities

Accounts payable	<u>2,920</u>
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Net Position

Net investment in capital assets	119,240
Unrestricted	<u>349,416</u>

Total net position	<u><u>\$ 468,656</u></u>
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Waterford Waterway Management District

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2021

Operating Revenues

Charges for services	\$ 245,500
Intergovernmental grants	<u>14,863</u>
Total operating revenues	<u>260,363</u>

Operating Expenses

Operation and maintenance	219,976
General and administrative	<u>18,591</u>
Total operating expenses	<u>238,567</u>

Operating income	<u>21,796</u>
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Nonoperating Revenue

Interest income	1,379
Donations	<u>650</u>

Total nonoperating revenue	<u>2,029</u>
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Change in net position	23,825
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Net Position, Beginning	<u>444,831</u>
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Net Position, Ending	<u><u>\$ 468,656</u></u>
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See notes to financial statements

Waterford Waterway Management District

Statement of Cash Flows

Year Ended September 30, 2021

Cash Flows From Operating Activities

Receipts from customers	\$ 254,803
Payments to suppliers for goods and services	(244,694)

Net cash flows from operating activities	10,109
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Cash Flows From Investing Activities

Investment income	1,379
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Cash Flows From Capital and Financing Activities

Acquisition and construction of capital assets	(126,849)
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Net change in cash and investments	(115,361)
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Cash and Investments, Beginning

447,893

Cash and Investments, Ending

\$ 332,532

Reconciliation of Operating Income to Net Cash

Flows From Operating Activities

Operating income	\$ 21,796
Nonoperating income	650
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	7,609
Changes in assets and liabilities:	
Accounts receivable	(6,210)
Prepaid items	(2,657)
Accounts payable	(11,079)

Net cash flows from operating activities	\$ 10,109
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Reconciliation of Cash and Investments to Statement of Net Position

Cash and investments	\$ 332,532
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See notes to financial statements

Waterford Waterway Management District

Index to Notes to Financial Statements
September 30, 2021

	<u>Page</u>
1. Summary of Significant Accounting Policies	
Reporting Entity	7
Measurement Focus, Basis of Accounting and Financial Statement Presentation	
Assets, Liabilities and Net Position	7
Deposits and Investments	7
Prepaid Items	8
Capital Assets	8
Revenues and Expenses	8
Charges for Services	8
Net Position	8
Effect of New Accounting Standards on Current Period Financial Statements	9
2. Deposits and Investments	9
3. Capital Assets	10
4. Claims and Judgments	10
5. Risk Management	10
6. Subsequent Event	10

Waterford Waterway Management District

Notes to Financial Statements
September 30, 2021

1. Summary of Significant Accounting Policies

The financial statements of Waterford Waterway Management District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the District are described below.

Reporting Entity

The Waterford Waterway Management District is organized under Section 33 of the State of Wisconsin Statutes and constitutes a separate and distinct municipality. The District is designed to be a self-supporting entity, deriving its revenue from special charges. The District is managed by the Board of District Commissioners. The District provides services to properties within the Waterford Waterway Management District.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

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

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

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

Waterford Waterway Management District

Notes to Financial Statements

September 30, 2021

The District has not adopted a formal investment policy.

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Capital assets of the District are recorded at cost or the fair market value at the time of contribution to the District. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

Machinery and equipment	5 Years
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Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Special charges are included on Town of Waterford and the Village of Waterford Statements of Taxes and levied in December of each year on the properties within the District's boundaries. Each municipality collects all levied special charges and remits them to the District under the following schedule:

Lien date and levy date	December 2020
Tax bills mailed	December 2020
Payment in full, or	January 31, 2021
First installment due	January 31, 2021
Second installment due	July 31, 2021
Third installment due	September 30, 2021

Waterford Waterway Management District

Notes to Financial Statements

September 30, 2021

Net Position

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

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

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

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

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

Effect of New Accounting Standards on Current Period Financial Statements

The GASB has approved Statement No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. When they become effective, application of these standards may restate portions of these financial statements.

These statements listed above, through Statement No. 93, had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one-and-a-half years.

2. Deposits and Investments

	<u>Risk</u>	<u>Bank Value</u>	<u>Carrying Value</u>
Deposits	Custodial credit	\$ 370,034	\$ 332,532

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

Waterford Waterway Management District

Notes to Financial Statements

September 30, 2021

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Custodial Credit Risk: Is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of September 30, 2021, \$120,034 of the District's total bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

3. Capital Assets

A summary of changes in capital assets for 2021 follows:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Capital assets being depreciated:				
Equipment	\$ -	\$ 126,849	\$ -	\$ 126,849
Less accumulated depreciation:				
Equipment	-	(7,609)	-	(7,609)
Net capital assets	\$ -	\$ 119,240	\$ -	\$ 119,240

4. Claims and Judgments

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

5. Risk Management

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

6. Subsequent Event

On October 1, 2021, the District entered into a lease contract with the Eagle Lake Management District for a Harvesting Transport Barge with the option to purchase at the end of the lease. The lease is valued at \$125,000 over a five-year period which includes a one-time \$5,000 payment for the use of the barge before the lease began. The district will pay \$24,000 each year for five years by a date no later than May 15th of each year.

Waterford Waterway Management District

Operating Revenues and Expenses

Year Ended September 30, 2021

Operating Revenues

Charges for service:

Special charge revenue \$ 245,500

Intergovernmental grants:

Aquatic plant grants 14,863

Total operating revenue 260,363

Operating Expenses

Operation and maintenance:

Aquatic plants 193,150

Dredging 10,534

Water quality 2,683

Public safety 6,000

Depreciation expense 7,609

Total operation and maintenance 219,976

General and Administrative

Administrative 16,461

Marketing, information and education 2,130

Total general and administrative 18,591

Total operating expenses 238,567

Operating income \$ 21,796