

**HEART OF THE VALLEY  
METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Statements of Net Position	8
Statements of Revenue, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11-28

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System - 10 Year Schedule	29
Schedule of the District's Contributions - Wisconsin Retirement System - 10 Year Schedule	30
Notes to Schedule of Employer Contributions	31
Notes to Required WRS Schedules	32

**OTHER SUPPLEMENTARY INFORMATION**

Schedules of User Fees Revenue	33
Schedules of Operating Expenses	34-35
Budget Comparison	36
Reconciliation of the Statement of Revenue, Expenses, and Changes in Fund Net Position to the Budget	37



# **Erickson & Associates, S.C.**

## *Certified Public Accountants*

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221  
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149  
[www.erickson-cpas.com](http://www.erickson-cpas.com)

### **INDEPENDENT AUDITOR'S REPORT**

Members of the Commission  
Heart of the Valley Metropolitan Sewerage District  
Kaukauna, Wisconsin

#### **Report on the Audit of the Financial Statements**

##### **Opinions**

We have audited the accompanying financial statements of the business-type activities of Heart of the Valley Metropolitan Sewerage District (District), as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Heart of the Valley Metropolitan Sewerage District, as of December 31, 2023, and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

##### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and the required supplementary information as listed on in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance 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 Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Heart of the Valley Metropolitan Sewerage District's financial statements as a whole. The schedules of user fees revenue, schedules of operating expenses, budget comparison and reconciliation of the statement of revenue, expenses, and changes in fund net position to the budget (other supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and related 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ericksen & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

May 13, 2024

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Heart of the Valley Metropolitan Sewerage District (District or HOVMSD), we offer readers of the District's financial statements this narrative overview of the financial activities for the years ended December 31, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

*Net Position* - In 2023, the assets of the District exceeded liabilities by \$35.95 million. Of this amount, \$5.92 million was reported as "unrestricted net position," which may be used to meet our on-going obligations.

*Changes in Net Position* - The District's "total net position" increased by \$2.35 million during 2023 compared to an increase of \$2.25 million in 2022.

*Operating Revenue* - Operating revenue decreased \$194,884 with user fees decreasing \$110,835.

*Operating Expenses* - Operating expenses increased in 2023 by \$423,239.

*Investment Income* - The District's investment income (interest income) increased by \$555,576 due to higher interest rates.

*Clean Water Fund Contribution* - Beginning in 2005, the District began recognizing an annual clean water fund contribution from two of its users. This revenue is the annual amortization of note principal from Combined Locks and Darboy Sanitary and is intended to offset a majority of the increased depreciation and interest expense from the interceptor. The 2023 revenue recognized was \$153,719.

*Interest Expense* - Interest expense decreased \$59,534 as a result of principal payments made. The interest on the new Clean Water Fund loan is considered an addition to construction in progress until the project is completed.

*Loss on Disposal of Fixed Assets* - Assets with a book value of \$44,378 were disposed of during 2023. Proceeds on these disposals were \$10,000.

*Debt* - The District's total debt obligation increased \$8.38 million during 2023. Borrowings, related to the effluent filter project, were \$10.89 million. Principal payments on existing debt were \$2.51 million.

*Notes Receivable and Deferred Revenue* - During 2005, the District accepted notes from Combined Locks and Darboy Sanitary. The remaining portion of these notes, \$180,644, is classified as current. Deferred revenue is recognized on a straight-line basis. The remaining portion of the unamortized balance, \$76,855, is considered to be a deferred inflow of resources.

*Capital Assets* - The District's capital assets increased \$9.40 million during 2023. Current additions, \$11.22 million, exceeded depreciation and removals. Most of the current year additions were for the effluent filter project, \$10.78 million or the interceptor improvement project \$0.10 million.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of a single enterprise fund, thus no fund level financial statements are shown. This report also contains other supplementary information in addition to the basic financial statements themselves.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to business-type activities. They are comprised of the *Statements of Net Position* and *Statements of Revenue, Expenses, and Changes in Fund Net Position*.

*Statements of Net Position* - presents information on all of the District's assets, liabilities and deferred outflows and inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*Statements of Revenue, Expenses, and Changes in Fund Net Position* - presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**FINANCIAL ANALYSIS**

**CONDENSED STATEMENTS OF NET POSITION**

	2023	2022	Change
Current assets	\$ 6,439,800	\$ 5,480,477	\$ 959,323
Restricted assets	11,463,964	11,205,679	258,285
Capital assets	40,530,058	31,129,676	9,400,382
Other assets	--	558,339	( 558,339)
Total assets	<u>58,433,822</u>	<u>48,374,171</u>	<u>10,059,651</u>
Deferred outflows of resources	<u>927,907</u>	<u>737,086</u>	<u>190,821</u>
Current liabilities	852,697	1,114,803	( 262,106)
Liabilities payable from restricted assets	2,678,858	2,566,246	112,612
Long-term debt	<u>19,279,501</u>	<u>10,710,823</u>	<u>8,568,678</u>
Total liabilities	<u>22,811,056</u>	<u>14,391,872</u>	<u>8,419,184</u>
Deferred inflows of resources	<u>597,887</u>	<u>1,120,384</u>	<u>( 522,497)</u>
Total net position	<u>\$ 35,952,786</u>	<u>\$ 33,599,001</u>	<u>\$ 2,353,785</u>

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**FINANCIAL ANALYSIS - CONTINUED**

*Net Position*

As noted earlier, net position may serve, over time, as a useful indicator of a District's financial position. In the case of Heart of the Valley Metropolitan Sewerage District, net position totaled \$35.95 million at the close of the fiscal year ending December 31, 2023. This is an increase of \$2.35 million or 7.01% from the previous year.

A significant portion of the District's net position, 51.64%, is invested in capital assets. An additional 31.89% represents resources that are subject to restriction on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations.

**CONDENSED STATEMENTS OF CHANGES IN NET ASSETS**

	2023	2022	Change
Operating revenue	\$ 6,939,428	\$ 7,134,312	\$( 194,884)
Operating expenses	5,339,051	4,915,812	423,239
Total operating income	1,600,377	2,218,500	( 618,123)
Non-operating income (expense):			
Interest income	785,603	230,027	555,576
Clean water fund contribution	153,719	153,719	--
Interest expense	( 151,536)	( 211,070)	59,534
Loss on disposal of fixed assets	( 34,378)	( 136,555)	102,177
Total other expense	753,408	230,027	717,287
Change in net position	2,353,785	2,254,621	99,164
Net assets, beginning	33,599,001	31,344,380	2,254,621
Net assets, ending	\$ 35,952,786	\$ 33,599,001	\$ 2,353,785

*Changes in Net Position*

The District's net position increased \$2.35 million during the year.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**SIGNIFICANT EVENTS**

The HOVMSD Commission approved the 2023 budget with anticipated expenditures of \$6,948,590. Community treatment fees of \$5,834,306 provide the majority of the District's revenue with the remaining revenue coming from the common revenue streams detailed in this and past District budgets plus \$288,864 from unrestricted assets applied.

The District tracks development activities with its member communities and collects connection fees for new connections served by the District. The five member communities invoiced a total of \$268,314 for 170 new connections that were added in 2023. This is consistent with the historical average of 180 connections recorded since the existing WWTF was placed into service in 2007. Growth and development remain consistent with new sewer connections slowing just a bit from 183 connections in 2022.

Influent flow averaged 6.725 million gallons per day (MGD) representing a 5.6% increase over the 6.368 average flow in 2022. Daily flow totals do vary year to year and are strongly influenced by the annual precipitation.

The District continues to closely monitor organic loadings on a continuous basis for both compliance and billing purposes. The Biochemical Oxygen Demand (BOD) load decreased 4.0% percent from the previous year. The BOD parameter along with the ammonia loadings are critical to the District as the organic capacity of the biological processes are finite. The ammonia load increased to 673,897 pounds in 2023 representing a 3.2% increase over 2022.

The District's effluent filtration project continued to progress throughout the entirety of 2023 with completion and close out of the project anticipated for the third quarter of 2024. CD Smith Construction along with its subcontractors, will have the equipment ready to begin effluent filtration in April 2024. The filter project remains on schedule and the District anticipates placing the effluent filters into continuous service in May of 2024.

The interceptor rehabilitation project hit several milestones in 2023 including completion of plans and spec, bidding of the project and awarding the contract of \$18,148,026 to low bidder VisuSewer. The project requires the full bypassing of sewerage flows to the treatment plant which allows the interceptor to be cleaned and rehabilitated. Contractors are formalizing construction schedules and work is set to begin early in the second quarter of 2024. It is expected that contractors will work up until cold weather sets in and will restart again in the spring of 2025. Strategic Municipal Services will be providing contract administration, construction observation and construction services to the District.

Heart of the Valley, in its role as control authority for the pretreatment program, monitors 15 sites whose discharge could pose a threat to the structures, equipment, or biology used for treatment of member community wastewater. The District worked closely with two industrial dischargers to control and meter high strength discharge and reroute a low volume high strength industrial flow from being discharged to the HOVMSD facility.

HOVMSD staffing remained budgeted and staffed at 11 FTE employees. There was one vacancy in 2023 that was advertised and subsequently back filled.



**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**SIGNIFICANT EVENTS - CONTINUED**

**RATE HISTORY**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>7/1/2020- 12/31/2021</u>	<u>1/1/2020- 6/30/2020</u>
Flow (per 1,000 gallons)	0.717	0.705	0.763	0.628	0.696
B.O.D. (per pound)	0.176	0.176	0.193	0.189	0.220
Suspended Solids (per pound)	0.243	0.238	0.254	0.238	0.254
Phosphorus (per pound)	6.617	6.378	6.692	6.253	6.321
Ammonia-N (per pound)	1.102	1.090	1.247	1.236	1.320
Chloride (per pound)	0.002	0.003	0.004	0.003	0.003

**CONTACT INFORMATION**

This financial report is designed to provide its customers and creditors with a general overview of the Heart of the Valley Metropolitan Sewerage District's finances. Anyone having questions regarding this report or desiring additional information may contact Brian Helminger, District Director, Heart of the Valley Metropolitan Sewerage District, 801 Thilmany Road, Kaukauna, WI 54130, or contact by phone at 920-766-5731 or by e-mail at [brian.helminger@hvmsd.org](mailto:brian.helminger@hvmsd.org).

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**STATEMENTS OF NET POSITION**

December 31,

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,630,316	\$ 4,651,475
Accounts receivable		
Users	521,580	566,090
Others	36,951	29,531
Accrued interest receivable	5,142	1,980
Notes receivable	180,644	176,469
Prepaid expenses	65,167	54,932
<b>Total current assets</b>	<u>6,439,800</u>	<u>5,480,477</u>
<b>Restricted assets:</b>		
Cash and cash equivalents	<u>11,463,964</u>	<u>11,205,679</u>
<b>Capital assets:</b>		
Capital assets in service, cost	63,685,441	63,645,541
Less accumulated depreciation	40,558,004	39,040,149
Net capital assets in service	<u>23,127,437</u>	<u>24,605,392</u>
Construction in progress	17,402,621	6,524,284
<b>Total capital assets</b>	<u>40,530,058</u>	<u>31,129,676</u>
<b>Noncurrent assets:</b>		
Notes receivable	--	180,644
Net pension asset - WRS pension plan	--	377,695
<b>Total noncurrent assets</b>	<u>--</u>	<u>558,339</u>
<b>Total assets</b>	<u>58,433,822</u>	<u>48,374,171</u>
<b>Deferred outflows of resources:</b>		
WRS pension plan	<u>927,907</u>	<u>737,086</u>

## LIABILITIES AND NET POSITION

	2023	2022
<b>Current liabilities:</b>		
Accounts payable - operating	\$ 121,750	\$ 101,206
Accounts payable - construction	346,888	724,693
Accrued liabilities	384,059	288,904
Total current liabilities	852,697	1,114,803
<b>Liabilities payable from restricted assets:</b>		
Current portion of long-term debt	2,567,939	2,508,326
Accrued interest	91,186	57,772
Accounts payable, equipment reserve	19,733	148
Total current liabilities payable from restricted assets	2,678,858	2,566,246
<b>Long-term liabilities:</b>		
Long-term debt	19,030,671	10,710,823
Net pension liability - WRS pension plan	248,830	--
Total long-term liabilities	19,279,501	10,710,823
Total liabilities	22,811,056	14,391,872
<b>Deferred inflows of resources:</b>		
Deferred revenue	76,855	230,574
WRS pension plan	521,032	889,810
Total deferred inflows of resources	597,887	1,120,384
<b>Net position:</b>		
Invested in capital assets, net of related debt	18,564,827	17,185,686
Restricted for plant replacement	8,793,668	8,141,307
Restricted for debt service	2,670,296	3,064,372
Unrestricted	5,923,995	5,207,636
Total net position	\$ 35,952,786	\$ 33,599,001

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended December 31,**

	2023	2022
Operating revenues:		
User fees	\$ 6,395,833	\$ 6,506,668
Connection fees	268,314	373,828
Effluent sales	174,808	161,363
Outside haulers income	33,788	28,672
Farmland rental income	56,500	52,910
Other revenue	10,185	10,871
Total operating revenues	6,939,428	7,134,312
Operating expenses:		
Plant operations	2,053,431	1,880,965
Plant maintenance	526,560	487,758
Quality control and pretreatment	153,736	145,710
Administrative and general	830,483	603,340
Depreciation	1,774,841	1,798,039
Total operating expenses	5,339,051	4,915,812
Operating income	1,600,377	2,218,500
Non-operating revenue (expenses):		
Interest income	785,603	230,027
Clean water fund contribution	153,719	153,719
Interest expense	( 151,536)	( 211,070)
Loss on disposal of fixed assets	( 34,378)	( 136,555)
Net non-operating expenses	753,408	36,121
Change in net position	2,353,785	2,254,621
Net position, beginning of the year	33,599,001	31,344,380
Net position, ending of year	\$ 35,952,786	\$ 33,599,001

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from operating revenue	\$ 6,976,518	\$ 7,096,475
Cash paid for operating expenses	( 3,391,820)	( 3,223,800)
Net cash provided by operating activities	<u>3,584,698</u>	<u>3,872,675</u>
 Cash flows from capital and related financing activities:		
Purchases of property and equipment	( 11,577,821)	( 5,385,606)
Payments of interest on debt	( 118,122)	( 198,633)
Payment of principal on debt	( 2,508,326)	( 2,450,097)
Proceeds of general obligation notes	10,887,787	5,144,960
Principal payments received on notes receivable	176,469	172,391
Proceeds from disposal of equipment	<u>10,000</u>	<u>--</u>
Net cash used in capital and related financing activities	<u>( 3,130,013)</u>	<u>( 2,716,985)</u>
 Cash flows from investing activities:		
Interest received	<u>782,441</u>	<u>228,605</u>
 Net change in cash and cash equivalents	1,237,126	1,384,295
 Cash and cash equivalents, beginning of year	<u>15,857,154</u>	<u>14,472,859</u>
 Cash and cash equivalents, end of year	<u>\$ 17,094,280</u>	<u>\$ 15,857,154</u>
 Operating cash and cash equivalents	\$ 5,630,316	\$ 4,651,475
Restricted cash and cash equivalents	<u>11,463,964</u>	<u>11,205,679</u>
 Total cash and cash equivalents	<u>\$ 17,094,280</u>	<u>\$ 15,857,154</u>

**RECONCILIATIONS OF NET INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

For the Years Ended December 31,

	2023	2022
Operating income	\$ 1,600,377	\$ 2,218,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,774,841	1,798,039
(Increase) decrease in:		
Accounts receivable - users	44,510	( 43,651)
Accounts receivable - other	( 7,420)	5,814
Prepaid expenses	( 10,235)	( 5,582)
Pension assets and deferred pension outflows	609,581	( 333,239)
Increase (decrease) in:		
Accounts payable - operating	20,544	( 35,895)
Accrued liabilities	95,155	24,066
Pension liability and deferred pension inflows	( 542,655)	244,623
Net cash provided by operating activities	\$ 3,584,698	\$ 3,872,675

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies:**

The financial statements of Heart of the Valley Metropolitan Sewerage District (District or HOVMSD) have been prepared in conformity with generally accepted accounting principles (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 more significant of the government's accounting policies are described below.

**Reporting Entity**

Heart of the Valley Metropolitan Sewerage District is organized under Section 66.20 of the State of Wisconsin Statutes, and constitutes a separate, distinct municipality. The District is designed to be a self-support entity, deriving its revenue from sewerage treatment user fees from the five communities it serves (City of Kaukauna, Villages of Little Chute, Kimberly and Combined Locks, and Darboy Joint Sanitary District #1).

**Basis of Financial Statement Presentation**

*Proprietary Fund Statements*

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District follows all pronouncements of the Governmental Accounting Standards Board (GASB). A single proprietary fund account is used for all activity.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**Accounts Receivable**

*Users*

Accounts receivable from users consist of monthly charges for treatment services plus, if applicable, monthly billings for FOG services. All receivables are expected to be paid during the month following services.

*Others*

Other receivables consist of connection fees receivable remitted by the user communities as well as amounts due for sale of effluent, treatment fees from outside haulers and pretreatment fees.

Uncollectible accounts receivable are charged to income when they are considered uncollectible. The accounts receivable balance is thought to be collectible, and no provision for uncollectible accounts has been made in these statements. Credit is extended on an unsecured basis.

**Inventories**

Replacement parts and supplies kept on hand at the utility plant are recorded as an expense at the time individual inventory items are purchased.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**Utility Plant in Service**

The utility plant is recorded at cost. The aggregate cost of the plant facilities includes all cost associated with the planning, financing, design, and construction of the sewerage treatment system, construction of intercepting and main sewers, and other system construction. Costs include interest paid during the construction period, reduced by interest earned on temporary investments of debt proceeds.

Expenditures for additions and improvements are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets, are expensed as incurred. The District follows the policy of not capitalizing assets with a cost of less than \$2,500.

When depreciable property is retired, the original cost, together with removal cost less salvage, is charged to accumulated depreciation.

Depreciation is calculated on a straight-line basis. Estimated useful lives of the assets are as follows:

Buildings and improvements	20-40 years
Sewerage collection system	10-50 years
Equipment and vehicles	5-25 years

**Net Position**

The District classifies its net position as follows:

- Designated - That portion of fund balance for which the District has made tentative plans for a specific purpose. Such plans are subject to change from original authorizations and may never result in expenditures.
- Reserved - That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.
- Unreserved - That portion of accumulated earnings which remains after designations and reserves are satisfied.

**Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

The District's policy allows employees to earn varying amounts of vacation for each year employed. Upon retirement or termination of employment, the employee is entitled to payment in cash for any unused vacation. Sick days are accumulated by employees to a maximum of 130 days but are lost upon termination of employment. However, upon retirement or death, employees are paid for 75% of their accumulated sick days. The estimated liability for accumulated unpaid vacation and sick leave, together with salary-related payments such as payroll taxes and pension plan contributions, is included in accrued liabilities.



**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**Deferred Outflows / Inflows of Resources**

The District has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows relating to the WRS pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows relating to deferred revenue and the WRS pension plan. These amounts will be recognized as an inflow of resources in the subsequent years when they are received.

**WRS Pension Plan**

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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 2. Cash and Cash Equivalents:**

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.

	2023	2022
Checking accounts	\$ 10,114	\$ 10,276
FDIC insured investment accounts	1,491,366	3,112,660
Certificates of deposit	505,065	495,088
Total in commercial banks and credit unions	2,006,545	3,618,024
Wisconsin State Treasurer's Investment Pool	15,087,735	12,239,130
Total cash and cash equivalents	\$ 17,094,280	\$ 15,857,154
Cash and cash equivalents, unrestricted	\$ 5,630,316	\$ 4,651,475
Cash and cash equivalents, restricted	11,463,964	11,205,679
Totals	\$ 17,094,280	\$ 15,857,154

*Deposits*

Deposits in banks and credit unions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution, as of December 31, 2023. In addition, the State of Wisconsin has a Public Deposit Guarantee Fund, which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

The District considers all checking and money market accounts to be cash. Because certificates of deposit are available with only loss of some interest, they are considered to be cash equivalents.

At year-end, the carrying amount of the District's deposits was \$2,006,545 and the financial institutions balance was \$2,007,275. Of the financial institutions balance, \$500,114 was covered by FDIC insurance. Deposits with commercial financial institutions were \$1,507,160 more than federal insurance. No amounts have been collateralized.

The District has adopted a policy that limits deposits with a public depository to the sum of the federal insurer plus Public Deposit Guarantee Fund coverage unless the depository provides collateral or meets a set of financial criteria. At December 31, 2023, the District was in compliance with this policy.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 2. Cash and Cash Equivalents - Continued:**

*Investment in Wisconsin Local Government Investment Pool*

The Heart of the Valley Metropolitan Sewerage District has investments in the Wisconsin local government investment pool (LGIP). LGIP is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on a day's notice. The fair value of the District's share of the LGIP's assets was substantially equal to their carrying value. LGIP invests primarily in U.S. Government and sponsored agencies and repurchase agreements with these same agencies.

FDIC insurance coverage pertains to the proportionate public unit share of accounts. Additionally, the Wisconsin Public Deposit Guarantee Fund offers limited protection against potential losses.

*Restricted Cash*

Cash is restricted for the following purposes at year end:

	2023	2022
Restricted for plant replacement	\$ 8,793,668	\$ 8,141,307
Restricted for debt service	2,670,296	3,064,372
Totals	\$ 11,463,964	\$ 11,205,679

**Note 3. Notes Receivable:**

The notes receivable from the Intermunicipal Cooperation Agreement are as follows:

	2023	2022
Village of Combined Locks	\$ 34,124	\$ 67,460
Darboy Sanitary District	146,520	289,653
Totals	\$ 180,644	\$ 357,113
Current	\$ 180,644	\$ 176,469
Non-current	-	180,644
Totals	\$ 180,644	\$ 357,113

These notes are intended as a cost recovery measure of certain capital improvements to the intercepting sewerage system. These notes are due over a 19 year period beginning April 1, 2005, with interest at 2.365%. The principal to be received within the next twelve months is considered current, the balance is non-current. At December 31, 2023, the remaining balance is current.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 4. Changes in Capital Assets:**

Capital assets activity for the years ended December 31, 2023 and 2022, was as follows:

<u>2023</u>	<u>Beginning Balance</u>	<u>Additions &amp; Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,894,078	\$ --	\$ --	\$ 2,894,078
Construction in progress:				
Disk filter project	5,815,568	10,775,668	--	16,591,236
Interceptor rehabilitation	708,716	102,669	--	811,385
Total construction in progress	6,524,284	10,878,337	--	17,402,621
Total capital assets not being depreciated	9,418,362	10,878,337	--	20,296,699
Capital assets being depreciated:				
Land improvements	244,553	--	--	244,553
Buildings and structures	31,362,565	--	--	31,362,565
Sewerage collection	15,543,863	--	--	15,543,863
Equipment	13,544,941	341,264	301,364	13,584,841
Vehicles	55,541	--	--	55,541
Total capital assets being depreciated	60,751,463	341,264	301,364	60,791,363
Accumulated depreciation:				
Land improvements	141,411	11,755	--	153,166
Buildings and structures	16,607,569	796,329	--	17,403,898
Sewerage collection	12,013,449	367,338	--	12,380,787
Equipment	10,245,670	596,554	256,986	10,585,238
Vehicles	32,050	2,865	--	34,915
Total accumulated depreciation	39,040,149	1,774,841	256,986	40,558,004
Capital assets being depreciated, net	21,711,314	( 1,433,577)	44,378	20,233,359
Total capital assets, net	\$ 31,129,676	\$ 9,444,760	\$ 44,378	\$ 40,530,058

The asset additions include \$251,162 of capitalized interest. Proceeds on disposals of capital assets were \$10,000.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 4. Changes in Capital Assets - Continued:**

<u>2022</u>	<u>Beginning Balance</u>	<u>Additions &amp; Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,894,078	\$ --	\$ --	\$ 2,894,078
Construction in progress:				
Disk filter project	543,694	5,271,874	--	5,815,568
Interceptor rehabilitation	296,601	412,115	--	708,716
Total construction in progress	840,295	5,683,989	--	6,524,284
Total capital assets not being depreciated	3,734,373	5,683,989	--	9,418,362
Capital assets being depreciated:				
Land improvements	244,553	--	--	244,553
Buildings and structures	31,630,065	--	267,500	31,362,565
Sewerage collection	15,543,863	--	--	15,543,863
Equipment	14,422,250	320,333	1,197,642	13,544,941
Vehicles	55,541	--	--	55,541
Total capital assets being depreciated	61,896,272	320,333	1,465,142	60,751,463
Accumulated depreciation:				
Land improvements	129,656	11,755	--	141,411
Buildings and structures	16,034,829	801,033	228,293	16,607,569
Sewerage collection	11,646,111	367,338	--	12,013,449
Equipment	10,733,336	612,628	1,100,294	10,245,670
Vehicles	26,765	5,285	--	32,050
Total accumulated depreciation	38,570,697	1,798,039	1,328,587	39,040,149
Capital assets being depreciated, net	23,325,575	( 1,477,706)	136,555	21,711,314
Total capital assets, net	\$ 27,059,948	\$ 4,206,283	\$ 136,555	\$ 31,129,676

The asset additions include \$22,967 of capitalized interest. There were no proceeds on disposals of capital assets.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 5. Long-term Debt:**

Long-term obligations of the District are as follows:

	<u>2023</u>	<u>2022</u>
\$3,327,297 general obligation sewerage system promissory note, series 2004, dated October 13, 2004, with interest at 2.365%, payable semi-annually and maturing through 2024.	\$ 203,322	\$ 401,946
\$32,544,618 general obligation sewerage system promissory note, series 2006, dated January 25, 2006, with interest at 2.365%, payable semi-annually and maturing through 2025.	4,235,911	6,280,754
\$5,012,248 general obligation sewerage system promissory note, series 2007, dated August 28, 2007, with interest at 2.475%, payable semi-annually and maturing through 2027.	1,126,630	1,391,489
\$19,149,949 general obligation sewerage system promissory note, series 2022, dated July 27, 2022, with interest at 2.145% payable semi-annually and maturing through 2042.	<u>16,032,747</u>	<u>5,144,960</u>
Totals	21,598,610	13,219,149
Less current portion	<u>2,567,939</u>	<u>2,508,326</u>
Total long-term debt	<u>\$ 19,030,671</u>	<u>\$ 10,710,823</u>

Future maturities of long-term debt are as follows:

Year ending <i>December 31,</i>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 2,567,939	\$ 445,490	\$ 3,013,429
2025	3,160,037	379,037	3,539,074
2026	1,040,069	330,705	1,370,774
2027	1,063,319	307,193	1,370,512
2028	787,793	286,858	1,074,651
2029-2033	4,199,802	1,170,655	5,370,457
2034-2038	4,669,972	695,441	5,365,413
2039-2042	<u>4,109,679</u>	<u>178,644</u>	<u>4,288,323</u>
Totals	<u>\$ 21,598,610</u>	<u>\$ 3,794,023</u>	<u>\$ 25,392,633</u>

Long-term debt activity for the year ended December 31, 2023, was as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>	<u>Amounts Due in One Year</u>
Notes from direct borrowings:					
Clean water fund	<u>\$13,219,149</u>	<u>\$10,887,787</u>	<u>\$ 2,508,326</u>	<u>\$21,598,610</u>	<u>\$ 2,567,939</u>

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 5. Long-term Debt - Continued:**

Long-term debt activity for the year ended December 31, 2022, was as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Amounts Due in One Year
Notes from direct borrowings:					
Clean water fund	\$10,524,286	\$ 5,144,960	\$ 2,450,097	\$13,219,149	\$ 2,508,326

The 2023 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$6,390,604,549. The legal debt limit and margin of indebtedness as of December 31, 2023, in accordance with Section 67.03 of the Wisconsin Statutes is as follows:

Debt limit (5% of \$6,390,604,549)	\$ 319,530,227
Deduct long-term debt applicable to debt margin	<u>21,598,610</u>
Legal margin for new debt	<u>\$ 297,931,617</u>

**Note 6. General Information About the WRS Pension Plan:**

**Plan Description**

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

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

**Vesting**

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

**Benefits Provided**

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

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current 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.

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

The WRS also provides death and disability benefits for employees.

**Post-Retirement Adjustments**

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

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2013	(9.6) %	9.0%
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0



**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

**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 reporting periods, the WRS recognized \$59,285 and \$56,001 in contributions from the employer for 2023 and 2022, respectively.

WRS payables at December 31, 2023 and 2022 were \$9,475 and \$8,721 respectively.

Contribution rates as of December 31, 2023 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives & elected officials)	6.80%	6.90%
Protective with Social Security	6.80%	13.20%
Protective without Social Security	6.80%	18.10%

Contribution rates as of December 31, 2022 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives & elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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

At December 31, 2023, the District reported an asset of \$248,830 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the District's proportion was 0.00469695%, which was an increase of 0.00001101% from its proportion measured as of December 31, 2021.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

At December 31, 2022, the District reported an asset of \$377,695 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the District's proportion was 0.00468594%, which was a decrease of 0.00002445% from its proportion measured as of December 31, 2020.

The District recognized pension expense of \$126,211 and \$(32,615) for 2023 and 2022, respectively.

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of December 31,

<u>2023</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 396,308	\$ 520,662
Net differences between projected and actual earnings on pension plan investments	422,707	--
Changes in assumptions	48,930	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	677	370
Employer contributions subsequent to the measurement date	59,285	--
Totals	<u>\$ 927,907</u>	<u>\$ 521,032</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022</u>		
Differences between expected and actual experience	\$ 610,145	\$ 43,998
Net differences between projected and actual earnings on pension plan investments	--	844,935
Changes in assumptions	70,464	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	476	877
Employer contributions subsequent to the measurement date	56,001	--
Totals	<u>\$ 737,086</u>	<u>\$ 889,810</u>

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

Deferred outflows related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net position asset (liability) in the following year.

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

Year ending <i>December 31,</i>	Net Deferred Outflows of Resources
2023	\$ 14,380
2024	71,973
2025	73,923
2026	187,314
Thereafter	--

**Actuarial Assumptions**

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2021
Measurement date of net pension liability	December 31, 2022
Experience study	January 1, 2018-December 31, 2020 Published November 19, 2021
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Long-term expected rate of return	6.8%
Discount rate	6.8%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Post-retirement adjustments*	1.7%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total pension liability for December 31, 2022, is based upon a roll forward of the liability calculated from the December 31, 2021, actuarial valuation.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2020
Measurement date of net pension liability	December 31, 2021
Experience study	January 1, 2018-December 31, 2020 Published November 19, 2021
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Long-term expected rate of return	6.8%
Discount rate	6.8%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Mortality Table
Post-retirement adjustments*	1.7%

\* 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021, is based upon a roll-forward of the liability calculated from the December 31, 2020, 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 tables:

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

**Asset Allocation Targets and Expected Returns  
As of December 31, 2022**

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return%</u>	<u>Long-Term Expected Real Rate of Return %</u>
Public equity	48	7.6	5.0
Public fixed income	25	5.3	2.7
Inflation sensitive	19	3.6	1.1
Real estate	8	5.2	2.6
Private equity/debt	<u>15</u>	9.6	6.9
Total Core Fund	115	7.4	4.8
<u>Variable Fund Asset Class</u>			
U.S. equities	70	7.2	4.6
International equities	<u>30</u>	8.1	5.5
Total Variable Fund	100	7.7	5.1

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.50%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

**Asset Allocation Targets and Expected Returns  
As of December 31, 2021**

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return%</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global equities	52	6.8	4.2
Fixed income	25	4.3	1.8
Inflation sensitive assets	19	2.7	0.2
Real estate	7	5.6	3.0
Private equity/debt	<u>12</u>	9.7	7.0
Total Core Fund	115	6.6	4.0
<u>Variable Fund Asset Class</u>			
U.S. equities	70	6.3	3.7
International equities	<u>30</u>	7.2	4.6
Total Variable Fund	100	6.8	4.2

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**Single Discount Rate**

A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (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, 2022. 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 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. General Information About the WRS Pension Plan - Continued:**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability (asset) as of December 31, 2022 calculated using the discount rate of 6.8%, as well as what the District'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 (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
District's proportionate share of the net pension liability (asset)	\$ 248,830	\$ 825,860	\$ ( 148,116)

The following presents the District's proportionate share of the net pension liability (asset) as of December 31, 2021 calculated using the discount rate of 6.8%, as well as what the District'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 (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
District's proportionate share of the net pension liability (asset)	\$ 268,001	\$ ( 377,695)	\$ ( 842,477)

**Pension Plan Fiduciary Net Position**

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

**Note 7. Post-Employment Health Plan:**

The District created a Post-Employment Health Plan (PEHP) which is funded through a voluntary employees' beneficiary association (VEBA), a tax-exempt trust authorized by IRC Section 501C(9), as a health reimbursement arrangement. Assets of this fiduciary plan are invested at Nationwide Retirement Solutions in a fixed income account. As a fiduciary account, plan assets are not part of the District's net position nor is activity a part of the District's change in net position. Activity during the years was:

	2023	2022
Beginning balance	\$ 18,995	\$ 28,403
Contributions	--	--
Plan earnings	516	376
Withdrawals	( 9,440)	( 9,784)
Balance at end of year	\$ 10,071	\$ 18,995

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 8. Contingencies and Commitments:**

Risk management - The District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended December 31, 2023.

Litigation - 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 that the likelihood is remote that any other such claims or proceedings will have a material adverse effect on the District's financial position or results of operations, due in part to insurance coverage.

Uncompleted contracts - The District routinely contracts for various construction and other services. Certain projects, especially capital construction projects, require signed contracts. At December 31, 2023, contracts totaling \$21.0 million had been approved, but the related work had not yet been performed. These are for future construction and other services up to 2026. The majority of this, \$19.1 million, is related to the interceptor improvement project.

**Note 9. Subsequent Events:**

The District has evaluated all subsequent events through May 13, 2024, the date on which these financial statements were available to be issued. There are no events subsequent to December 31, 2023, that require disclosure.



**REQUIRED SUPPLEMENTARY INFORMATION**

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System  
Last 10 Fiscal Years\*

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Employee Payroll</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>
12/31/15	0.00508631%	\$ ( 124,934)	\$ 728,599	17.15%	102.74%
12/31/16	0.00494898%	80,420	651,643	12.34%	98.20%
12/31/17	0.00491659%	40,525	716,091	5.66%	99.12%
12/31/18	0.00477335%	( 141,726)	710,083	19.96%	102.93%
12/31/19	0.00483251%	171,925	733,387	23.44%	96.45%
12/31/20	0.00475850%	( 153,435)	756,450	20.28%	102.96%
12/31/21	0.00471039%	( 294,076)	775,093	37.94%	105.26%
12/31/22	0.00468594%	( 377,695)	809,806	46.64%	106.02%
12/31/23	0.00469695%	248,830	861,554	28.88%	95.72%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S 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 Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
12/31/15	\$ 51,003	\$ 51,003	\$ --	\$ 728,599	7.00%
12/31/16	44,312	44,312	--	651,643	6.80%
12/31/17	47,262	47,262	--	716,091	6.60%
12/31/18	48,285	48,285	--	710,083	6.80%
12/31/19	49,136	49,136	--	733,387	6.70%
12/31/20	49,547	49,547	--	756,450	6.55%
12/31/21	52,319	52,319	--	775,093	6.75%
12/31/22	54,661	54,661	--	809,806	6.75%
12/31/23	56,000	56,000	--	861,554	6.50%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**HEART OF THE VALLEY, METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Wisconsin Retirement System

Last 10 Fiscal Years\*

**Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions**

	2023	2022	2021	2020
Valuation Date:	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period
Amortization Period:	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions				
Net Investment Rate of Return	5.4%	5.4%	5.4%	5.4%
Weighted based on assumed rate for:				
Pre-retirement	6.8%	7.0%	7.0%	7.0%
Post-retirement	5.0%	5.0%	5.0%	5.0%
Salary Increases:				
Wage Inflation	3.0%	3.0%	3.0%	3.0%
Seniority/Merit	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	1.7%	1.9%	1.9%	1.9%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2018-2010.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.
Mortality	Wisconsin 2020 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2020 fully generational improvement scale (multiplied by 60%)	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)

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

2019 12/31/2017	2018 12/31/2016	2017 12/31/2015	2016 12/31/2014	2015 12/31/2013	2014 12/31/2012
Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period	Level Percentage of Payroll-Closed Amortization Period
30 year closed from date of participation in WRS	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS	30 year closed from date of participation in WRS
Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011.
Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**NOTES TO REQUIRED WRS SCHEDULES  
For the Year Ended December 31, 2023**

**Note 1. Change of Benefit Terms:**

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

**Note 2. Change of Assumptions:**

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality table to the 2020 WRS Experience Mortality Table

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality table to the 2020 Wisconsin 2018 Mortality Table

**OTHER SUPPLEMENTARY INFORMATION**

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**SCHEDULES OF USER FEES REVENUE  
For the Years Ended December 31,**

	<u>2023</u>	<u>2022</u>
City of Kaukauna	\$ 1,820,192	\$ 1,895,855
Village of Little Chute	2,487,108	2,479,261
Village of Kimberly	513,074	527,381
Village of Combined Locks	387,224	393,828
Darboy Joint Sanitary District #1	<u>1,188,235</u>	<u>1,210,343</u>
Total user fees revenue	<u>\$ 6,395,833</u>	<u>\$ 6,506,668</u>



**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**SCHEDULES OF OPERATING EXPENSES**

For the Years Ended December 31,

	2023	2022
Plant operation expenses:		
Salaries and wages	\$ 238,715	\$ 245,296
Payroll taxes and benefits	164,042	165,975
Health and safety	14,300	13,300
Support - meter stations	7,833	8,445
Water utility bills	28,506	19,996
Natural gas and auxiliary fuel	56,209	50,270
Gasoline and lubricants	4,453	5,078
Electricity	618,287	590,102
Chemicals	625,938	617,610
Solids disposal fees	8,976	4,956
Sludge disposal	257,441	132,388
Other operating expenses	1,116	453
Environmental fees	27,615	27,096
Total plant operation expenses	\$ 2,053,431	\$ 1,880,965
Plant maintenance expenses:		
Salaries and wages	\$ 253,186	\$ 221,346
Payroll taxes and employee benefits	163,004	147,177
Other repairs and maintenance	79,648	93,149
Outside maintenance contracts	30,722	26,086
Total plant maintenance expenses	\$ 526,560	\$ 487,758
Quality control and pretreatment expenses:		
Salaries and wages	\$ 68,226	\$ 61,303
Payroll taxes and employee benefits	43,270	40,639
Laboratory expenses	29,374	30,916
Outside testing	10,785	11,400
Miscellaneous	2,081	1,452
Total quality control and pretreatment expenses	\$ 153,736	\$ 145,710

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**SCHEDULES OF OPERATING EXPENSES - CONTINUED**  
For the Years Ended December 31,

	2023	2022
Administrative and general expenses:		
Administrative salaries and wages	\$ 246,569	\$ 216,448
Commissioners' compensation and expense	18,647	19,499
Payroll taxes and employee benefits	224,946	50,202
Telephone	6,221	6,924
Office equipment rent and repair	25,417	35,303
Office supplies	6,059	5,457
Education and training	3,432	2,771
Membership and subscriptions	601	342
Travel reimbursement	651	207
Insurance	123,641	110,374
Engineering outside services	8,882	22,734
Accounting and auditing fees	15,300	15,200
Legal fees	40,202	18,884
Public relations	30,559	23,433
Financial advisory	-	34,500
Financial support	1,243	1,585
Inflow reduction	45,031	22,339
Special projects support	28,113	12,271
FOG control program	113	126
Miscellaneous administrative expenses	4,856	4,741
Total administrative and general expenses	\$ 830,483	\$ 603,340

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**BUDGET COMPARISON  
For the Year Ended December 31, 2023**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Receipts:</b>			
User fees	\$ 5,834,306	\$ 6,395,833	\$ 561,527
Bank interest income	35,000	388,216	353,216
ICA payments	182,896	182,895	( 1)
Pretreatment	6,400	7,070	670
Outside haulers	33,048	33,788	740
Effluent income	164,473	174,808	10,335
Connection fees	346,128	268,314	( 77,814)
Farmland rental	57,475	56,500	( 975)
Miscellaneous income	--	3,115	3,115
Unrestricted assets applied	288,864	288,864	--
	<u>6,948,590</u>	<u>7,799,403</u>	<u>850,813</u>
<b>Expenditures:</b>			
Payroll	805,500	806,696	( 1,196)
Benefits	494,900	595,262	( 100,362)
Administration	80,500	67,127	13,373
Environmental fees	29,000	27,615	1,385
Insurance	119,249	123,641	( 4,392)
Professional contract services	213,800	212,215	1,585
Sludge disposal	186,000	254,932	( 68,932)
Utilities	655,250	707,455	( 52,205)
Chemicals	764,325	625,938	138,387
Operation, maintenance, lab, QC	205,450	143,329	62,121
Total expenditures	<u>3,553,974</u>	<u>3,564,210</u>	<u>( 10,236)</u>
Capital budget expenses	24,100	--	24,100
Provision for equipment replacement fund	699,510	599,420	100,090
Provision for debt service fund	<u>2,671,006</u>	<u>2,877,609</u>	<u>( 206,603)</u>
Total expenditures	<u>6,948,590</u>	<u>7,041,239</u>	<u>( 92,649)</u>
Net receipts over expenditures	<u>\$ --</u>	<u>\$ 758,164</u>	<u>\$ 758,164</u>

The budget is prepared on an operating basis. It is primarily cash-basis with modifications for provisions to the equipment replacement fund and debt service fund. A separate reconciliation between the statement of activities (GAAP basis) and the budgetary basis details the differences between these two methods.

**HEART OF THE VALLEY METROPOLITAN SEWERAGE DISTRICT  
KAUKAUNA, WISCONSIN**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENSES, AND  
CHANGES IN FUND NET POSITION TO THE BUDGET**

For the Year Ended December 31, 2023

Change in net position	\$ 2,353,785
------------------------	--------------

Amounts reported for budgetary basis are different because:

Unrestricted assets applied	288,864
-----------------------------	---------

The budget includes ICA principal payments and interest payments. The statement of revenue, expenses, changes in fund net position includes only interest income. The statement of revenue expenses, and changes in fund net position included a recognition of income from deferred revenue. This is a non-cash source of income and is not included in the budget.

ICA principal payments received	176,469	
Non-cash deferred revenue recognized	<u>( 153,719)</u>	22,750

The budget reports non-equipment capital outlays as expenditures (other than funded projects). Equipment outlays are paid from the equipment reserve account and are not included in either the budget or the statement of revenue, expenses, and changes in fund net position. In the statement of revenue, expenses, and changes in fund net position the cost of all capital items is allocated over their estimated useful lives and reported as depreciation expense. The budget includes a provision to the equipment replacement account for approximately the amount of the depreciation expense on equipment.

Depreciation expense	1,774,841	
Provision for equipment replacement and capital budget	( 599,420)	
Interest income earned on equipment replacement fund	<u>( 390,961)</u>	784,460

In the statement of revenue, expenses, and changes in fund net position, only the gain/loss on the sale of capital assets is reported, whereas this is not included in the budget. Thus, the change in net position differs from the budget by the gain/loss on the sale of capital assets.	34,378
---	--------

The issuance of debt for the acquisition of capital assets is not included in either the budget or the statement of revenue, expenses, and changes in fund net position. Interest expense on debt is included in the statement of revenue, expenses, and changes in fund net position. The budget includes a provision to the debt service fund for both interest and principal.

Interest expense	151,536	
Provision to debt service fund	<u>( 2,877,609)</u>	<u>( 2,726,073)</u>

Net receipts over expenditures	<u>\$ 758,164</u>
--------------------------------	-------------------