

Pikes Bay Sanitary District

Financial Statements

Including Independent Accountant's Review Report

For the Year Ended December 31, 2019

Ehlers & Pierce, CPAs, Inc.
313 3rd Street West
Ashland, WI 54806
715-682-8353

Pikes Bay Sanitary District Table of Contents

	Page No.
Independent Accountant's Review Report	1
Financial Statements	
Statement of Net Position	2
Statement of Revenues, Expenses and Change in Net Position	3
Statement of Cash Flows	4
Notes to Financial Statements	5-12

Ehlers & Pierce, CPAs, Inc.

Certified Public Accountants

313 3rd Street West

Ashland, WI 54806

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Commissioners
Pikes Bay Sanitary District
Bayfield, Wisconsin

Report of the Financial Statements

We have reviewed the accompanying financial statements of Pikes Bay Sanitary District, which comprise of the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Ehlers & Pierce CPAs Inc

Ehlers & Pierce, CPA's Inc.
Ashland, WI
July 30, 2020

Pikes Bay Sanitary District
Statement of Net Position
December 31, 2019
ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 243,987
Restricted Cash - Debt Service Fund	5,907
Receivables	
Accounts	5,031
Taxes	95,660
Current Portion of Special Assessments	3,661
Current Portion of Loans	9,475
Interest	1,469
Prepaid Expenses	<u>2,116</u>
Total Current Assets	<u>367,306</u>
Capital Assets	2,823,867
Less: Accumulated Depr/Amort	<u>(690,989)</u>
Net Capital Assets	<u>2,132,878</u>
Noncurrent Assets	
Restricted Cash - Equipment Replacement Account	146,523
Loans Receivable	37,822
Special Assessments Receivable	<u>22,660</u>
Total Noncurrent Assets	<u>207,005</u>
TOTAL ASSETS	<u>\$ 2,707,189</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable	\$ 4,264
Accrued Liabilities	8,390
Accrued Interest	828
Current Portion of Long-Term Debt	39,646
Unearned Revenue	<u>69,458</u>
Total Current Liabilities	<u>122,586</u>
Long Term Liabilities	<u>168,183</u>
Total Liabilities	<u>290,769</u>
Net Position	
Net Investment in Capital Assets	1,925,049
Restricted for Debt Service	5,907
Restricted for Equipment Replacement	146,523
Unrestricted	<u>338,941</u>
Total Net Position	<u>2,416,420</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,707,189</u>

See accompanying notes and independent accountant's review report

Pikes Bay Sanitary District
Statement of Revenues, Expenses and Change in Net Position
For Year Ended December 31, 2019

OPERATING REVENUES

Charges for Services - User Fees	\$	<u>132,338</u>
Total Operating Revenues		<u>132,338</u>

OPERATING EXPENSES

Greater Bayfield Waste Water Fees		24,426
Wages		79,331
Payroll Taxes		6,069
Depreciation Expense		58,607
Grounds Maintenance		8,700
Insurance		4,038
Mileage		936
Office Expense		4,961
Plant Repairs and Maintenance		17,667
Professional Fees		28,199
Utilities		3,814
Other Expense		<u>695</u>
Total Operating Expenses		<u>237,443</u>
Operating Loss		<u>(105,105)</u>

NON-OPERATING REVENUES (EXPENSES)

Tax Levy		66,150
Investment Income		2,266
Sale of Capital Assets		74,391
Interest Expense		<u>(5,229)</u>
Total Nonoperating Revenues (Expenses)		<u>137,578</u>

CONTRIBUTIONS

Capital Contributions - Connection Fees		<u>15,000</u>
Total Contributions		<u>15,000</u>

CHANGE IN NET POSITION		47,473
NET POSITION - BEGINNING OF YEAR		<u>2,368,947</u>
NET POSITION - END OF YEAR	\$	<u><u>2,416,420</u></u>

Pikes Bay Sanitary District
Statement of Cash Flows
For Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Position	\$	(105,105)
Adjustments to reconcile net operating income to net cash provided by operating activities		
(Increase) Decrease in:		
Accounts receivable		(2,264)
Employee Receivable		113
Interest Receivable		(370)
Taxes Receivable		(29,510)
Prepaid expenses		(1,278)
Increase (Decrease) in:		
Accounts payable		(20,764)
Due to other Governments		(2,158)
Accrued liabilities		(4,411)
Accrued Interest Payable		(144)
Deferred revenue		<u>(3,308)</u>
Net cash provided by operating activities		<u>(169,199)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of Capital Assets		74,391
Investment Income		<u>2,266</u>
Net Cash Provided by Investing Activities		<u>76,657</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets		(65,762)
Received from Tax Levy		66,150
Received from Special Assessments and Loans		(30,667)
Received from Capital Contributions - Connection Fees		15,000
Depreciation		58,607
Debt Retired		(39,702)
Interest Paid		<u>(5,229)</u>
Net Cash used by Financing Activities		<u>(1,603)</u>
Net increase in cash (unrestricted and restricted)		<u>(94,145)</u>
Cash (unrestricted and restricted) at beginning of year		490,562
Cash (unrestricted and restricted) at end of year	\$	<u><u>396,417</u></u>

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Pikes Bay Sanitary District provides wastewater services to certain properties within the Town of Bayfield. The district is organized under Section 60.70 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 waste water user fees. The district is managed by a five member board of commissioners which also sets user rates.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. Pikes Bay Sanitary District's financial statements are reported using 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. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange are recognized when the exchange takes place.

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

Pikes Bay Sanitary District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing the service of waste water collection. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses include the cost of providing the services, including administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements and notes are representations of the Organization's board of commissioners who are responsible for the integrity and objectivity of the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

Cash and Cash Equivalents

Cash and cash equivalents represent all cash on hand and deposits in financial institutions. Cash equivalents are short-term financial instruments with less than 91 days maturity.

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 1. – Continued

Deposits and investments

Investment of Pikes Bay Sanitary District Funds are restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bond 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, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Pikes Bay Sanitary District has not adopted a formal investment policy.

Accounts Receivable

Accounts receivable are the amount due from customers for the monthly service fee.

Loans receivables consists of loans made to customers to help finance their waste water construction costs. Terms of the loans include annual payment of principal and interest at 4% due over a ten-year period.

The district levied special assessments related to plant extensions to the Trailer Court Area in 2009 and Old Orchard Lane in 2015. Special assessment not paid up front were assessed over a ten-year period at 4% interest.

The district has the right under Wisconsin statutes to place delinquent waste water bills, as well as special assessments, on the tax roll for collection.

No allowance for uncollectible receivables is considered necessary.

Prepaid Items

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

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 1. – Continued

Restricted Assets

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

Capital Assets

Capital assets are defined by Pikes Bay Sanitary District as assets with an estimated useful life in excess of one year.

All capital assets of Pikes Bay Sanitary District are recorded at cost or the estimated acquisition value at the date of donation. Major outlays for Pikes Bay Sanitary District are capitalized as projects are constructed. Interest incurred during the construction phase, if any, is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

Original waste water utility plant	30 years
Waste water equipment and improvements	10-50 years
Office equipment	5-7 years
Trailer court area improvements	50 years
Old Orchard Lane/Apple Hill	50 years
Intangibles	50 years

Long-Term Obligations

Long-term debt is reported as a district liability.

Deferred Inflows of Resources

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

Capital Contributions and Connection Fees

Cash and capital assets are contributed to the district from customers or external parties. The value of property contributed to the district is reported as revenues on the statement of revenues, expenses, and changes in net position. Also, the district charges new customers a connection fee to connect to the system. These fees are included as capital contributions on the statement of revenues, expenses and changes in net position.

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 1. – Continued

Equity Classifications

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements 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 part of the debt is included in the same net position component as the unspent proceeds.
- b. Restricted net position – Consists of net position with constraints place on their use either by 1) external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) constraints imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available to use, it is Pikes Bay Sanitary District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Basis for Existing Rates

Current wastewater user rates were approved by the board of commissioners and were in effect for the services rendered on or after January 1, 2019.

Note 2. DETAILED NOTES

Deposits and Investments

At December 31, 2019 Pikes Bay Sanitary District’s deposits and investments were comprised of the following:

Demand Deposits \$396,417

Reconciliation to statement of net position:

Cash and investments	\$ 243,987
Restricted cash and investments – debt service fund	5,907
Restricted cash and investments – equipment replacement fund	<u>146,523</u>
Total Cash and Cash Equivalents	\$ <u>396,417</u>

Deposits in each local and area bank are insured by FDIC in the amount of \$250,000 for interest bearing accounts and another \$250,000 for non-interest bearing accounts. Since all of the accounts were interest bearing, Pikes Bay Sanitary District was under insured by FDIC by \$146,635.

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 2. DETAILED NOTES – Continued

Restricted Assets

The following represent the balances of the restricted assets.

Long Term Debt Account

Debt Service Fund – Used to segregate resources (property tax revenues) accumulated for debt service payments.

Equipment Replacement Account

The district established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Administration – Clean Water.

Following is a list of restricted assets as of December 31, 2019.

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets</u>	<u>Restricted Net Position</u>
Debt Service Fund	\$ 6,735	\$ 828	\$ 5,907
Equipment Replacement Fund	<u>146,523</u>	<u>-</u>	<u>146,523</u>
Totals	<u>\$ 153,258</u>	<u>\$ 828</u>	<u>\$ 152,430</u>

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 2. DETAILED NOTES – Continued

Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized				
Easements	\$ 2,163	\$ -	\$ -	\$ 2,163
Capital assets being depreciated/amortized				
Original Waste Water Plant	120,712	-	(120,712)	-
Old Orchard Lane/Trailer Court	707,522	-		707,522
Waste Water Equipment/Improvements	142,703	72,994		215,697
Office Equipment	2,452	-	(1,163)	1,289
Intangible Assets	<u>1,897,196</u>	<u>-</u>	<u>-</u>	<u>1,897,196</u>
Total Capital assets being depreciated/amortized	<u>2,870,585</u>	<u>72,994</u>	<u>(121,875)</u>	<u>2,821,704</u>
Less: Accumulated Depr/Amortization	<u>(754,256)</u>	<u>(58,608)</u>	<u>121,875</u>	<u>(690,989)</u>
Net Capital Assets being depreciated/Amortized	<u>2,116,329</u>	<u>14,386</u>	<u>-</u>	<u>2,130,715</u>
Net Capital Assets	<u>\$ 2,118,492</u>	<u>\$ 14,386</u>	<u>\$ -</u>	<u>\$ 2,132,878</u>

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 2. DETAILED NOTES – Continued

Deferred Inflows of Resources

Unearned revenues as of December 31, 2019 consist of the following:

Properties taxes levied for the subsequent year \$69,458

Long-Term Debt

Long-term debt activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Notes Payable	<u>\$ 246,559</u>	<u>\$ -</u>	<u>\$ 38,730</u>	<u>\$ 207,829</u>	<u>\$ 39,646</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the district may not exceed 5% of the equalized value of taxable property within the district's jurisdiction. The general obligation debt outstanding at year end was \$207,829.

The general obligation notes are backed by the full faith and credit of the district and will be retired by future property tax levies. Details for the district's general obligation notes payable are as follows:

Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance December 31,2019
2005	2024	2.37%	\$ 575,000	\$ 207,829

Debt service requirements to maturity are as follows:

	Principal	Interest
2020	\$ 39,646	\$ 4,446
2021	40,583	3,498
2022	41,543	2,526
2023	42,526	1,532
2024	<u>43,531</u>	<u>515</u>
Totals	<u>\$ 207,829</u>	<u>\$ 12,517</u>

Pikes Bay Sanitary District
Notes to the Financial Statements
For Year Ended December 31, 2019

Note 2. DETAILED NOTES – Continued

Net Position

Net Position reported as of December 31, 2019 includes the following:

Intangible assets, net of accumulated amortization	\$1,368,599
Sewage plant, net of accumulated depreciation	764,279
Less: Capital related long-term debt	<u>(207,829)</u>
Total Net Investment in Capital Assets	<u>\$1,925,049</u>

Note 3. OTHER INFORMATION

Joint Venture – Greater Bayfield Waste Water Treatment Plant Commission

Pikes Bay Sanitary District and the City of Bayfield jointly operate the Greater Bayfield Waste Water Treatment Plant Commission (GBWWTPC), which was formed for the purpose of operating a sewage treatment plant that treats waste water from the two participants' sewage systems, as well as hauled in waste from elsewhere in the service areas or as permitted by GBWWTPC. An intermunicipal agreement was entered into by the two participants to create and operate the GBWWTPC. It has an initial term of 50 years and expires on March 26, 2054, and will remain in effect thereafter until terminated by either party upon five years written notice to the other party.

GBWWTPC is governed by a board comprised of six members, three of whom are appointed by each of the joint venture participants. That board has the authority to adopt its own budget and control the financial affairs of GBWWTPC. Neither of the participants retains control over the operations of the joint venture or is financially accountable for the joint venture.

Operating costs of the joint venture are split between the participants based on a formula using the amount of wastewater treated from various sources.

Related Party Transactions

There were no related party transactions through July 30, 2020 which is the date the financial statements were available to be issued.

Unusual Events

The sale of capital assets, which consisted of some land and holding ponds from the original plant, were sold for \$73,391. This is an unusual event because there are no plans to sell any other capital assets.

Subsequent Events

There were no subsequent events through July 30, 2020 which is the date the financial statements were available to be issued.