

# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**



Clear Answers for Clean Water<sup>SM</sup>

**FOR THE FISCAL YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

**Western Lake Superior Sanitary District**

**Duluth, Minnesota**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT**

**DULUTH, MINNESOTA**

**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021 AND 2020**

*Prepared by Business Services Division*

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
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## Western Lake Superior Sanitary District

April 19, 2022

Board of Directors  
Western Lake Superior Sanitary District  
2626 Courtland Street  
Duluth, Minnesota 55806

The Annual Comprehensive Financial Report of the Western Lake Superior Sanitary District (WLSSD) for the fiscal year ended December 31, 2021 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with WLSSD. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to fairly present the financial position and results of operations of the enterprise fund. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the WLSSD have been included. Please refer to the Management Discussion and Analysis section of this document for a more detailed discussion of WLSSD financial and planning highlights.

### **Services of WLSSD**

WLSSD is located in northeastern Minnesota, and encompasses 513 square miles and includes the cities of Cloquet, Carlton, Scanlon, and Wrenshall, and townships of Silver Brook, Thomson, and Twin Lakes in Carlton County and the cities of Duluth, Hermantown, Proctor, and Rice Lake, and the townships of Canosia, Duluth, Grand Lake, Lakewood, Midway, and Solway in St. Louis County.

WLSSD was established in 1971 to improve and protect the waters of the lower St. Louis River basin. This was accomplished by providing wastewater treatment to the municipalities listed above, as well as to four large industrial customers. In 1974, the State Legislature also gave WLSSD the additional responsibility for solid waste management. The combination of both wastewater treatment and proper solid waste management resulted in the cleanup of the waters of the St. Louis River which remains one of the most significant events in the environmental history of this region.

The WLSSD continues to make significant capital investments in our wastewater collection and treatment systems and our solid waste services. Long-term strategic, asset management and capital planning have ensured that the WLSSD continues to meet all financial, environmental and operational requirements.

### **Local Economy**

WLSSD serves a large geographic territory (513 square miles) with a relatively diverse service area and a population of approximately 139,900. The WLSSD serves a region with a diverse economy comprised of healthcare, forest products manufacturing, aviation and a large and robust higher education sector. The local economy was less impacted by COVID-19 in 2021 than it was the prior year. Those businesses who took short-term outages or reduced their hours of operation during 2020 returned to full or near full-time operation in 2021. The Duluth mill (formerly Verso) remained idled for the duration of 2021 but was purchased in May of 2021. The new owners, ST Paper 1, are converting the mill into a bath tissue producer. It is anticipated that ST Paper 1 will begin to produce product in late 2022 or early 2023. The WLSSD has made process changes to improve the ability of our treatment plant to better respond to the ebbs and flows from our commercial and industrial sector. The financial performance of the WLSSD during 2021 is a testament to this success.

### **Long-term Financial Planning**

As part of the Master Planning Process, WLSSD develops ten (10) year capital plans for both Wastewater and Solid Waste operations. This planning process integrates projected changes in demand with an engineering assessment of the major components of the facility. These capital projections are utilized in combination with loading projections and operating assumptions to develop a ten year projection for operating costs. These projections are used to make informed decisions on debt and loan financing to ensure adequate fund balances are maintained over both the short and long-terms.

### **Internal Controls**

WLSSD management is responsible for designing, establishing and maintaining an internal control system that protects WLSSD assets from loss, theft or misuse and ensures that adequate accounting data is compiled to prepare the financial statements in accordance with generally accepted accounting principles. Internal control systems are designed to provide reasonable assurance that these objectives are met, while recognizing that the cost of a control should not exceed the benefits. The evaluation of costs and benefits requires management estimates and judgments. WLSSD's internal control system is continually monitored and evaluated by management as a good business practice.

### **Independent Audit**

WLSSD's enabling legislation requires an annual audit of all books and accounts to be made by independent certified public accountants or by the State Auditor's office. This requirement has been complied with, and the certified public accountants' opinion accompanies this report.

The auditors will issue a management and compliance letter covering the review made as part of their examination of the District's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect in any way this report on the financial statements.

## 2021 Annual Comprehensive Financial Report

### **Awards**

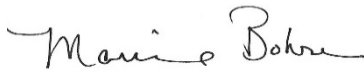
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the WLSSD for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. This was the thirty-seventh consecutive year that the WLSSD has received this prestigious award. In order to be awarded a Certificate of Achievement, WLSSD published an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The accurate and timely preparation of this report could not have been accomplished without the efficiency and dedication of WLSSD's Business Services Division. We express our appreciation to all members of the division, and to the staff of the certified public accountants who reviewed and assisted in the preparation. We would also like to thank the WLSSD Board of Directors for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,



Executive Director



Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Western Lake Superior Sanitary District  
Minnesota**

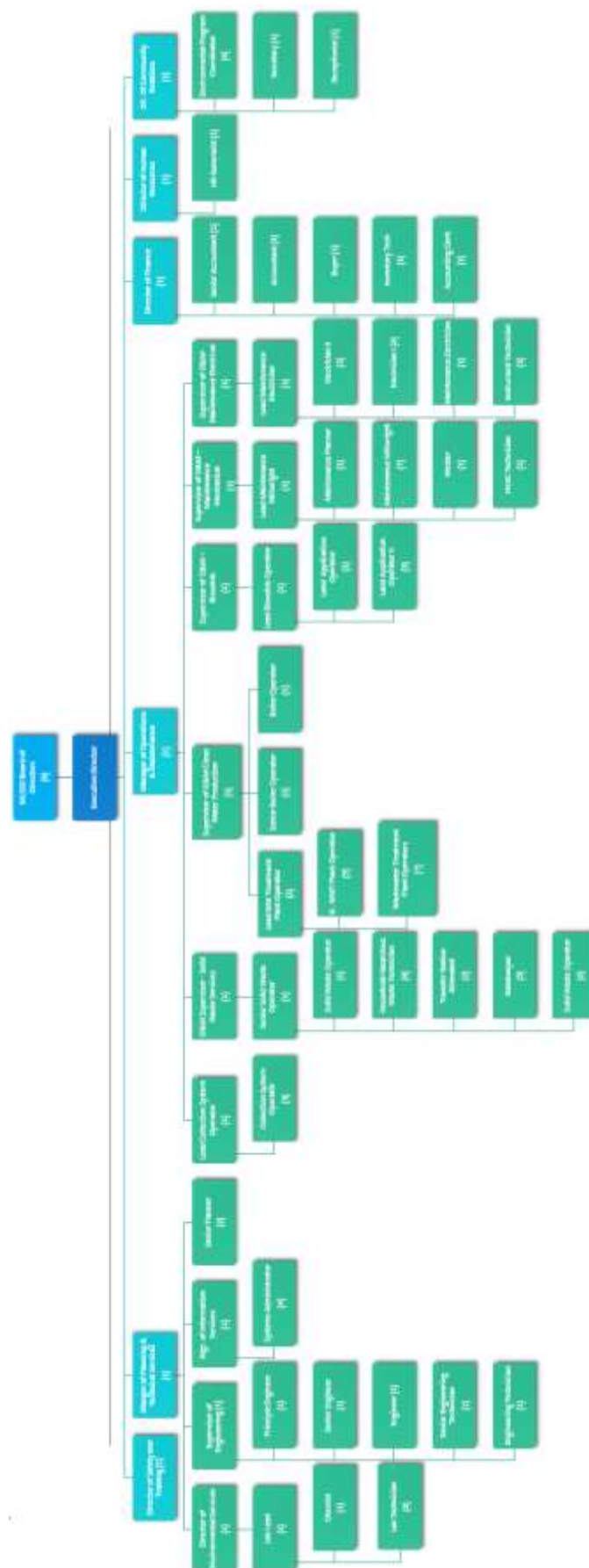
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO



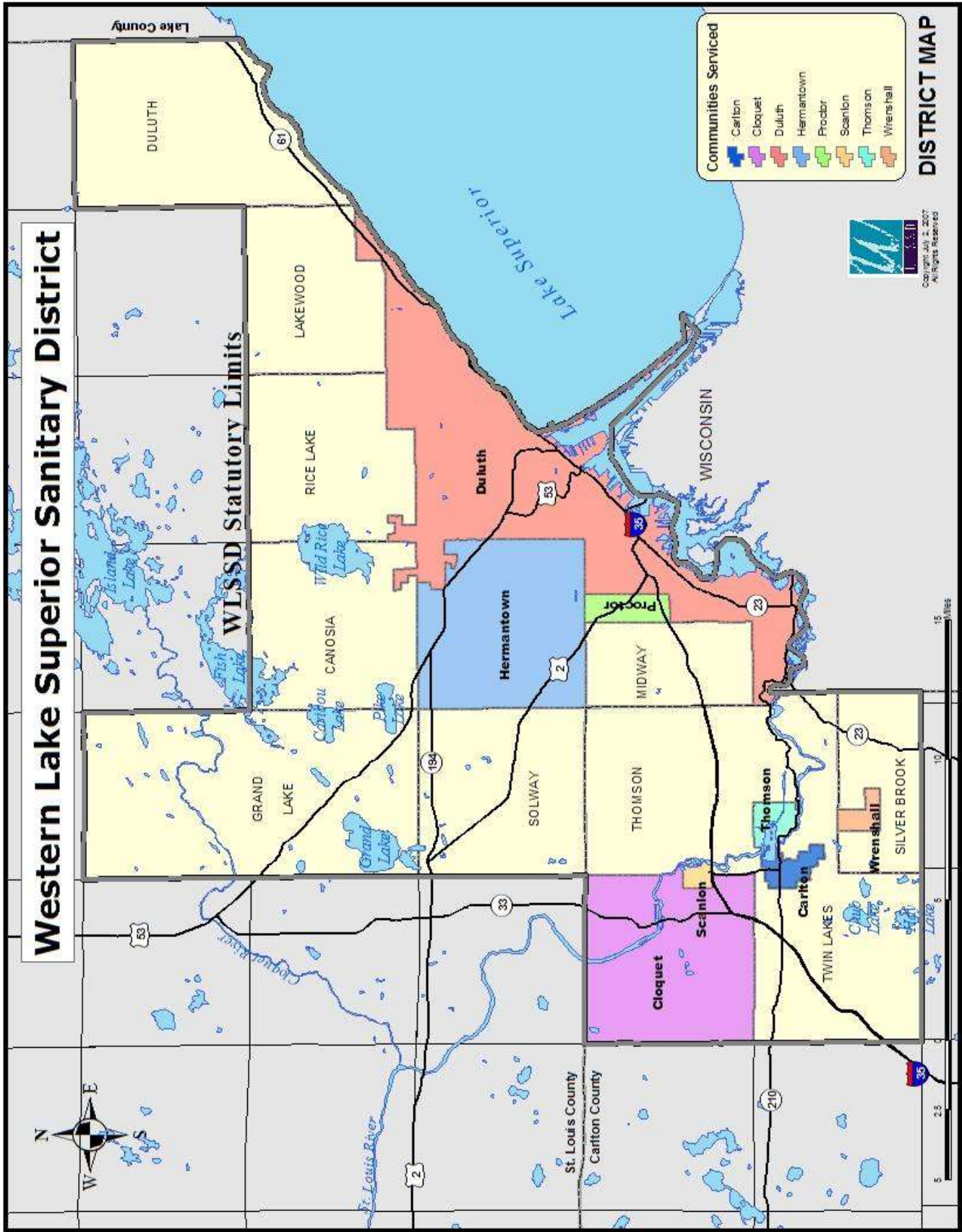


**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
BOARD OF DIRECTORS**

<u>Members</u>	<u>Length of Service</u>	<u>Appointment Date</u>	<u>Term Expires</u>
Ruth Janke	12.5 Years	7/1/2009	7/1/2024
Rob Schilling	0.5 Years	7/1/2021	7/1/2024
Paul Thomsen	9.5 Years	6/25/2012	7/1/2024
James Aird	12.5 Years	4/30/2009	7/1/2022
Dave Manderfeld	17.5 Years	8/24/2004	7/1/2022
Julene Boe	8.5 Years	7/1/2013	7/1/2022
Loren Lilly	4.5 Years	4/18/2017	7/1/2023
Laura Ness	4.5 Years	7/17/2017	7/1/2023
Marcia Podratz	9.5 Years	4/23/2012	7/1/2023

<u>Executive Team</u>	<u>Position</u>	<u>Length of Service</u>
Marianne Bohren	Executive Director	17.5 Years
Carrie Clement	Manager of Operations & Maintenance	21 Years
Brandon Kohlts	Manager of Planning & Technical Services	15 Years

# Western Lake Superior Sanitary District



## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Western Lake Superior Sanitary District  
Duluth, Minnesota

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

#### ***Opinions***

We have audited the accompanying financial statements of Western Lake Superior Sanitary District (WLSSD), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise WLSSD'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 financial position of WLSSD as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WLSSD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained in 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 WLSSD'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.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WLSSD'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 WLSSD'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, Schedule of WLSSD's Proportionate Share of the Net Pension Liability, Schedule of WLSSD's Contributions, and Schedule of Changes in WLSSD's OPEB Liability, Related Ratios, and Notes, as listed 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the WLSSD's basic financial statements. The Detailed Schedule of Revenue Compared to Budget, Detailed Schedule of Expenses Compared to Budget – Department Level, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Detailed Schedule of Revenue Compared to Budget, Detailed Schedule of Expenses Compared to Budget – Department Level, and Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2022, on our consideration of WLSSD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the WLSSD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WLSSD's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 19, 2022

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

This section presents management's analysis of the Western Lake Superior Sanitary District's (WLSSD) financial condition and activities for the fiscal year ending December 31, 2021. Please read this information in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Operating revenues increased by \$487,156 or 1.28% higher than 2020. Total budgeted wastewater charges for 2021 increased by 0.02% over 2020. Overall, actual wastewater charges in 2021 were \$4,214 higher than 2020 primarily due to relatively flat flows and loadings. Solid waste user charges and service fees were \$468,127 higher than 2020 primarily due to increased volumes. The capacity availability fee was \$14,260 higher than 2020 due to increased projects. Miscellaneous income was \$554 higher than 2020.
- Operating expenses before depreciation and amortization were similar to prior year expenses. Operating expenses for payroll were lower in 2021 by \$517,679 due to unfilled positions; repairs and maintenance expenses were lower in 2021 by \$130,913 due to required maintenance due; utilities were higher in 2021 by \$479,315 due to increased costs and solid waste disposal costs were higher in 2021 by \$262,562 due to increased volumes.
- WLSSD continued to fund a significant portion of capital projects from current revenues. Wastewater capital projects funded from current revenue were \$3.0 million in 2021.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of WLSSD's financial condition and performance. The MD&A is required to accompany the basic financial statements and notes to the financial statements and, therefore, is included as required supplementary information.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of WLSSD are presented as an enterprise fund using the accrual basis of accounting that is similar to the accounting used by private sector companies. The Statement of Net Position includes all of WLSSD's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligation to creditors (liabilities). It also provides the basis for evaluating the capital structure and assessing the liquidity of WLSSD.



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

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

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and financing activities and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**NET POSITION**

To begin our analysis, a summary of WLSSD's Statement of Net Position is presented in Table A-1.

**Table A-1  
Condensed Statement of Net Position  
(000's)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2020 to 2021 Increase (Decrease)</b>	<b>2019 to 2020 Increase (Decrease)</b>
Current and Other Assets	\$ 61,994	\$ 57,836	\$ 54,724	\$ 4,158	\$ 3,112
Capital Assets	100,775	103,632	104,655	(2,857)	(1,023)
Total Assets	162,769	161,468	159,379	1,301	2,089
Deferred Outflows of Resources	3,525	653	461	2,872	192
Current Liabilities	10,402	10,758	12,706	(356)	(1,948)
Long-Term Debt	49,356	53,024	51,778	(3,668)	1,246
Total Liabilities	59,758	63,782	64,484	(4,024)	(702)
Deferred Inflows of Resources	4,507	408	1,316	4,099	(908)
Net Investment in					
Capital Assets	49,957	49,950	49,065	7	885
- Restricted	27,319	24,850	22,685	2,469	2,165
- Unrestricted	24,754	23,131	22,290	1,623	841
Total Net Position	\$ 102,030	\$ 97,931	\$ 94,040	\$ 4,099	\$ 3,891

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

**NET POSITION (CONTINUED)**

As noted in the table above, total Net Position increased by \$4.10 million in 2021 as compared to \$3.89 million in 2020. The 2021 increase resulted from total assets increasing by \$1.30 million, GASB 68 Deferred Outflows increasing by \$2.87 million, total liabilities decreasing by \$4.02 million, and GASB 68 Deferred Inflows increasing by \$4.10 million. The 2020 increase resulted from total assets increasing by \$2.09 million, GASB 68 Deferred Outflows increasing by \$0.19 million, total liabilities decreasing by \$0.70 million, and GASB 68 Deferred Inflows decreasing by \$0.91 million. In 2021, current and other assets increased by \$4.16 million primarily due to an increase in investments of \$1.44 million, an increase in assets restricted for debt service of \$1.59 million, an increase of assets restricted for Wastewater Infrastructure Fund and Debt Service of \$1.00 million and an increase in accounts receivable of \$0.17 million. In 2020, current and other assets increased by \$3.11 million primarily due to a decrease in cash and cash equivalents of \$5.20 million, offset by an increase in investments of \$6.15 million and an increase of assets restricted for Wastewater Infrastructure Fund and Debt Service of \$2.18 million. In 2021, net capital assets decreased by \$2.86 million primarily due to depreciation expense (\$9.75 million) exceeding capital outlays related to capital projects related to wastewater plant project improvements (\$2.04 million), interceptor improvements (\$2.13 million), pump station improvements (\$0.61 million), solid waste improvements (\$0.44 million) and other miscellaneous wastewater project improvements (\$1.67 million). In 2020, net capital assets decreased by \$1.02 million primarily due to depreciation expense (\$11.25 million) exceeding capital outlays related to wastewater projects related to Oxygen Plant and Main Switchgear improvements (\$5.09 million), Miscellaneous Interceptor improvements (\$1.57 million), and other wastewater projects (\$3.57 million).

Current liabilities decreased in 2021 by \$0.36 million primarily due to a decrease in current portion of general obligation debt service (\$0.76 million), a decrease in Construction Contracts Payable (\$0.23 million), a decrease in sick leave liability (0.06 million) offset by an increase in accounts payable (\$0.54 million), an increase in payroll liabilities (\$0.09 million) and an increase in Due to Other Governments (\$0.07 million). Current liabilities decreased in 2020 by \$1.95 million primarily due to a decrease in current portion of general obligation debt service (\$1.31 million), and a decrease in Construction Contracts Payable (\$1.15 million) offset by an increase in accounts payable (\$0.25 million). The decrease in long-term liabilities of 2021 of \$3.67 million is primarily due to a decrease in long-term debt financing (debt payoff higher than new debt issues of \$1.90 million) and a decrease in Net Pension Liability (\$1.79 million). The increase in long-term liabilities of 2020 of \$1.25 million is primarily due to an increase in long-term debt financing (new debt issues higher than debt payoff of \$0.58 million) and an increase in Net Pension Liability (\$0.69 million).

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

**NET POSITION (CONTINUED)**

**Table A-2  
Condensed Statement of Revenues, Expenses, and Changes in Net Position  
(000's)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2020 to 2021 Dollar Change Increase (Decrease)</b>	<b>2019 to 2020 Dollar Change Increase (Decrease)</b>
Operating Revenues					
Wastewater User Charges	\$ 27,481	\$ 27,477	\$ 27,774	\$ 4	\$ (297)
Solid Waste Fees	8,729	8,261	8,350	468	(89)
District-Wide Allocation	355	355	355	-	-
Capacity Availability Fee	542	528	715	14	(187)
Other Operating Revenues	1,348	1,346	1,060	2	286
Nonoperating Revenues:					
Earnings on Investments	23	542	924	(519)	(382)
Intergovernmental Grants	379	376	375	3	1
Other Nonoperating Revenue	1	-	14	1	(14)
Property Taxes	1,138	1,212	1,135	(74)	77
Total Revenues	39,996	40,097	40,702	(101)	(605)
Operating Expenses	25,672	25,672	25,409	-	263
Depreciation Expenses	9,747	11,253	10,871	(1,506)	382
Non-Operating Expenses	622	717	525	(95)	192
Total Expenses	36,041	37,642	36,805	(1,601)	837
Income (Loss) Before Capital Contributions	3,955	2,455	3,897	1,500	(1,442)
Capital Contributions	144	1,436	1,223	(1,292)	213
Changes in Net Position	4,099	3,891	5,120	208	(1,229)
Beginning Net Position	97,931	94,040	88,920	3,891	5,120
Ending Net Position	\$ 102,030	\$ 97,931	\$ 94,040	\$ 4,099	\$ 3,891

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

**NET POSITION (CONTINUED)**

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, there was an increase in income or loss before capital contributions of \$3.96 million in 2021, an increase in income or loss before capital contributions of \$2.46 million in 2020, and an increase in income or loss before capital contributions of \$3.90 million in 2019.

Operating revenues increased by \$0.49 million in 2021 primarily due to solid waste fees from increased volumes. Operating revenues decreased by \$0.29 million in 2020 primarily due to a decrease in wastewater user charges due to the indefinite idle of the Verso Duluth Mill in June 2020 and the impacts of COVID-19 pandemic. Non-operating revenues for 2021 decreased by \$0.59 million primarily due to a decrease in earnings on investments (\$0.52 million) and a decrease in property taxes (\$0.07 million). Non-operating revenues for 2020 decreased by \$0.32 million primarily due to a decrease in earnings on investments.

Total operating expenses remained unchanged in 2021. Primary expense increases were \$0.48 million for utilities and \$0.26 million for solid waste disposal costs, offset by decreases of \$0.52 million for payroll, \$0.13 million for repairs and maintenance expenses and \$0.07 million for contract services. Total operating expenses increased by \$0.26 million in 2020. Primary expense increases were \$0.22 million for payroll, \$0.20 million for electrical contract services and solid waste disposal costs, \$0.15 million for repairs and maintenance expenses and \$0.09 million for other post-employment benefit expenses offset by a decrease of \$0.37 million for other expenses.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**CAPITAL ASSETS**

At the end of 2021, WLSSD had invested \$368.16 million in capital assets as shown in Table A-3. Capital assets increased by \$6.87 million primarily due to improvements to the wastewater plant and other wastewater improvements.

**Table A-3  
Capital Assets  
(000's)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2020 to 2021 Dollar Change Increase (Decrease)</b>	<b>2019 to 2020 Dollar Change Increase (Decrease)</b>
Land & Easements	\$ 812	\$ 812	\$ 812	\$ -	\$ -
Improvements	256,261	249,596	239,962	6,665	9,634
Buildings & Structures	74,672	74,672	74,672	-	-
Furniture & Equipment	32,880	32,656	32,237	225	419
Motor Vehicle	3,530	3,547	3,371	(17)	176
Total	368,156	361,283	351,054	6,873	10,229
Less: Accumulated Depreciation	267,384	257,651	246,399	9,733	11,252
Net Capital Assets	\$ 100,773	\$ 103,632	\$ 104,655	\$ (2,860)	\$ (1,023)

More detailed information about WLSSD's capital assets is presented in Note 3.A.3 to the financial statements.

**DEBT ADMINISTRATION**

WLSSD is required to maintain, in a sinking fund at year-end, cash and investments to meet the debt service payments for the following year. Wastewater debt service charges are recovered entirely through user charges. It is the goal of management to maintain a minimum of 120% the following year's debt service in the fund at year-end. Such a goal has been incorporated into all future long-term capital planning.

General obligation indebtedness at year-end 2021 was \$49.81 million. This amount includes \$0.39 million in general obligation bonds and \$49.42 million in general obligation notes from the State of Minnesota revolving loan fund. Additional general obligation revenue notes were issued in the amount of \$3.78 million to fund wastewater infrastructure. More detailed information about WLSSD's long-term debt activity is presented in Notes 3.B. 2-4.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
OPERATING INFORMATION  
CAPITAL ASSET STATISTICS – WATERWATER OPERATIONS  
LAST TEN FISCAL YEARS**

**DEBT ADMINISTRATION (CONTINUED)**

General obligation indebtedness at year-end 2020 was \$52.44 million. This amount includes \$1.50 million in general obligation bonds and \$50.95 million in general obligation notes from the State of Minnesota revolving loan fund. Additional general obligation revenue notes were issued in the amount of \$6.99 million to fund wastewater infrastructure. More detailed information about WLSSD's long-term debt activity is presented in Notes 3.B. 2-4.

**ECONOMIC FACTORS**

Table A-4 shows the wastewater rate history for each of the four billing parameters: flow, peak flow, BOD, and suspended solids for the period 2017 through 2021. For the five-year period presented the cost of flow increased by 30.54%, the cost of peak flow increased by 64.25%, the cost of BOD increased by 38.41% and the cost of suspended solids decreased by 0.92%. The typical domestic strength (domestic equivalent) cost per 1000 gallons increased by 13.38% over this period. Domestic strength wastewater assumptions are 200 MG/L for BOD and 200 MG/L for suspended solids.

**Table A-4  
Wastewater Rate History**

	<b>Flow</b>	<b>Peak Flow</b>	<b>BOD</b>	<b>Suspended Solids</b>	<b>Domestic Equivalent</b>
<b><u>Fiscal Year</u></b>	<b><u>(per 1000 gal)</u></b>	<b><u>(per 1000 gal)</u></b>	<b><u>(per lb)</u></b>	<b><u>(per lb)</u></b>	<b><u>Cost/1000 gallons</u></b>
2017	0.5338	0.0193	0.1557	0.2930	1.78
2018	0.5759	0.0199	0.1625	0.3120	1.88
2019	0.5558	0.0265	0.1847	0.2951	1.87
2020	0.6232	0.0251	0.1987	0.2884	1.95
2021	0.6968	0.0317	0.2155	0.2903	2.02

**FINANCIAL CONTACT**

This financial report is designed to provide our customers and creditors with a general overview of WLSSD's finances and to demonstrate WLSSD's accountability. If you have questions about this report or need additional financial information, contact the Western Lake Superior Sanitary District, 2626 Courtland Street, Duluth, Minnesota 55806-1894.

## **BASIC FINANCIAL STATEMENTS**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2021 AND 2020**

	2021	2020
<u>Assets and Deferred Outflows of Resources</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,923,801	\$ 4,005,159
Investments	23,728,093	22,137,937
Accounts Receivable	2,358,520	2,173,563
Accrued Interest Receivable	10,621	74,798
Due from Other Governments	1,386,547	1,329,218
Inventory	2,561,296	2,441,690
Prepaid Expense	500,794	588,744
Assets Restricted for Memorial Fund		
Investments	2,237	2,336
Assets Restricted for Wastewater Infrastructure Fund		
Capital Replacement		
Investments	6,596,769	5,600,942
Assets Restricted for General Obligation Debt Service		
Investments	5,788,804	6,548,990
Total Current Assets	46,857,482	44,903,377
Noncurrent Assets:		
Assets Restricted for General Obligation Debt Service		
Investments	15,137,108	12,932,373
Total Noncurrent Assets, Other than Capital Assets	15,137,108	12,932,373
Capital Assets:	368,156,695	361,283,649
Less: Allowance for Depreciation	(267,381,917)	(257,651,258)
Total Capital Assets		
Net of Accumulated Depreciation	100,774,778	103,632,391
Total Noncurrent Assets	115,911,886	116,564,764
Total Assets	162,769,368	161,468,141
Deferred Outflows of Resources:		
Pension Related	3,504,348	639,884
Other Postemployment Benefits Related	20,273	13,529
Total Deferred Outflows of Resources	3,524,621	653,413
Total Assets and Deferred Outflows of Resources	166,293,989	162,121,554

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



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2021 AND 2020**

	2021	2020
<u>Liabilities and Deferred Inflows of Resources</u>		
Current Liabilities:		
Accounts Payable	\$ 1,965,036	\$ 1,429,424
Salaries and Wages Payable	278,438	245,230
Accrued Vacation Payable	624,384	653,908
Compensatory Time Payable	382,319	329,051
Payroll Deductions Payable	35,306	7,283
Due to Other Governments	306,160	236,995
Sick Leave Liability	-	55,194
Employee Benefits Payable	10,121	11,950
Construction Contracts Payable	1,011,335	1,240,265
Current Liabilities Payable from Restricted Assets:		
General Obligation Debt Service		
Accrued Interest Payable	205,911	234,266
General Obligation Bonds (Net of Unamortized Bond Discounts)	389,673	1,105,000
General Obligation Taxable Revenue Notes	5,192,893	5,209,724
Total Current Liabilities	10,401,576	10,758,290
Noncurrent Liabilities:		
General Obligation Taxable Revenue Notes	44,224,123	45,738,755
General Obligation Bonds (Net of Unamortized Net Pension Liability)	-	388,537
Other Postemployment Benefits Obligation - Current	4,825,606	6,612,989
Other Postemployment Benefits Obligation	17,629	13,529
Total Noncurrent Liabilities	288,285	270,073
Total Liabilities	49,355,643	53,023,883
Deferred Inflows of Resources:		
Pension Related	59,757,219	63,782,173
Other Postemployment Benefits Related	4,470,938	369,356
Total Liabilities and Deferred Inflows of Resources	36,354	38,641
	4,507,292	407,997
	64,264,511	64,190,170
<u>Net Position</u>		
Net Investment in Capital Assets	49,956,753	49,950,104
Restricted:		
Memorial Fund	2,237	2,336
Wastewater Infrastructure Fund Capital Replacement	6,596,769	5,600,942
General Obligation Debt Service	20,720,001	19,247,097
Unrestricted	24,753,718	23,130,905
Total Net Position	\$ 102,029,478	\$ 97,931,384

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Operating Revenue:		
User Charges - Municipalities	\$ 11,777,530	\$ 11,740,835
User Charges - Industries	15,703,424	15,735,905
User Charges - Solid Waste	5,976,171	5,673,387
Service Fee - Solid Waste	2,752,929	2,587,586
District-wide Allocation	355,002	355,001
Capacity Availability Charges	542,352	528,092
Other Income	1,346,532	1,345,978
Total Operating Revenue	<u>38,453,940</u>	<u>37,966,784</u>
Operating Expenses:		
Salaries, Wages and Compensation	7,803,810	8,087,366
Employee Benefits	2,954,147	3,188,270
Other Postemployment Benefits	22,312	23,795
Professional Services	213,569	193,718
Safety and Training	115,167	105,035
Public Information and Other Special Services	189,378	178,851
Easements and Rents	58,280	47,371
Travel	25,024	14,460
Repairs and Maintenance	773,203	904,116
Solid Waste Disposal	5,376,892	5,114,330
Insurance	150,193	153,713
Outside Services	217,048	233,180
Contracted Services	1,939,845	2,012,430
Supplies	413,610	452,790
Utilities	3,489,792	3,010,477
Office Expenses	60,501	47,734
Chemicals	1,534,058	1,591,535
Dues, Publications, and Permits	85,539	95,407
Grants to Other Governmental Units	217,450	196,191
Miscellaneous	18,584	20,217
Depreciation	9,747,496	11,252,721
Other Expense	3,226	1,005
Lease Land	10,404	-
Total Operating Expenses	<u>35,419,528</u>	<u>36,924,712</u>
Operating Income (Loss)	<u>3,034,412</u>	<u>1,042,072</u>

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Nonoperating Revenue (Expenses):		
Earnings on Investments	\$ 22,779	\$ 542,300
Proceeds from Sale of Capital Asset	1,125	-
Intergovernmental Grants	379,230	375,602
Property Taxes	1,138,349	1,212,482
Interest Expense	(621,700)	(717,299)
	<hr/>	<hr/>
Total Nonoperating Revenue (Expenses)	919,783	1,413,085
	<hr/>	<hr/>
Income (Loss) Before Contributions	3,954,195	2,455,157
Capital Contributions		
State	143,899	798,860
Federal	-	636,871
	<hr/>	<hr/>
Total Capital Contributions	143,899	1,435,731
	<hr/>	<hr/>
Changes in Net Position	4,098,094	3,890,888
Net Position - Beginning of Year	97,931,384	94,040,496
	<hr/>	<hr/>
Net Position - End of Year	\$ 102,029,478	\$ 97,931,384
	<hr/> <hr/>	<hr/> <hr/>

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT**  
**DULUTH, MINNESOTA**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 36,994,849	\$ 37,058,154
Cash Paid to Suppliers	(14,387,807)	(14,462,686)
Cash Paid to Employees	(11,289,301)	(11,672,622)
Other Operating Revenues	1,346,532	1,345,978
Net Cash Provided by Operating Activities	<u>12,664,273</u>	<u>12,268,824</u>
Cash Flows from Noncapital Financing Activities		
State and Federal Operating Grants	319,418	433,972
Property Taxes	1,137,599	1,210,732
Net Cash Provided by Noncapital Financing Activities	<u>1,457,017</u>	<u>1,644,704</u>
Cash Flows from Capital and Related Financing Activities		
Financing Activities		
Proceeds from Sale of Capital Assets	1,125	-
Proceeds from Note Issues	3,777,323	6,993,564
Proceeds from Capital Contributions	143,899	1,435,731
Principal Paid on General Obligation Bonds	(1,105,000)	(2,980,000)
Interest Paid on General Obligation Bonds and Notes	(2,854,790)	(2,776,213)
Principal Paid on Public Facilities		
Authority General Obligation Note	(5,308,786)	(4,761,774)
Acquisition or Construction of Capital Assets	(7,118,813)	(11,384,621)
Net Cash Used by Capital and Related Financing Activities	<u>(12,465,042)</u>	<u>(13,473,313)</u>
Cash Flows from Investing Activities		
Sale of Investments	49,426,267	40,954,018
Interest on Investments	86,956	621,448
Purchase of Investments	(51,250,829)	(47,220,242)
Net Cash Used by Investing Activities	<u>(1,737,606)</u>	<u>(5,644,776)</u>
Net Decrease in Cash and Cash Equivalents	(81,358)	(5,204,561)
Cash and Cash Equivalents - Beginning of Year	<u>4,005,159</u>	<u>9,209,720</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,923,801</u>	<u>\$ 4,005,159</u>

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
COMPARATIVE STATEMENT OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Net Operating Income (Loss)	\$ 3,034,412	\$ 1,042,072
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	9,747,496	11,252,722
Pension Adjustment	(1,787,383)	691,670
Other Postemployment Benefits Adjustment	22,312	23,795
Deferred Outflows - Pension	(2,864,464)	(187,001)
Deferred Outflows - Other Postemployment Benefits	(6,744)	(5,405)
Deferred Inflows - Pension	4,101,582	(898,204)
Deferred Inflows - Other Postemployment Benefits	(2,287)	(9,662)
Change in Assets and Liabilities		
Decrease (Increase) in Receivables	(181,724)	220,409
Decrease (Increase) in Inventory	(119,606)	(175,069)
Decrease (Increase) in Prepaids	87,950	(162,576)
Increase (Decrease) in Payables	632,729	476,073
Net Cash Provided by Operating Activities	\$ 12,664,273	\$ 12,268,824

**Noncash Investing, Capital and Financing Activities**

In 2021, WLSSD had \$1,136 of bond discount amortized within interest expense. The remaining discount is reported with the current general obligation bonds liability on the balance sheet.

In 2021, WLSSD acquired capital assets of \$1,011,335 which had not been paid for at year-end. The unpaid amount is shown as contracts payable.

In 2020, WLSSD had \$2,328 of bond discount amortized within interest expense. The remaining discount is reported with the noncurrent general obligation bonds liability on the balance sheet.

In 2020, WLSSD had \$7,574 of bond premium amortized within interest expense. The remaining premium is reported with the noncurrent general obligation bonds liability on the balance sheet.

In 2020, WLSSD acquired capital assets of \$1,240,265 which had not been paid for at year-end. The unpaid amount is shown as contracts payable.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**1. Summary of Significant Accounting Policies**

The accounting policies of the Western Lake Superior Sanitary District (WLSSD) conform to generally accepted accounting principles (GAAP) for the years ended December 31, 2021 and 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). This financial report has been prepared in conformity with Governmental Accounting Standards Board Statements.

**A. Financial Reporting Entity**

WLSSD was formed pursuant to 1971 Minnesota Laws, chapter 478, as amended. WLSSD was created for the purpose of protection of the public health, safety, and welfare of the area, for the preservation and best use of waters, land and other natural resources, for the prevention, control and abatement of water pollution and disposal of solid waste, and for the efficient and economic collection, treatment and disposal of sewage and solid waste. WLSSD is governed by a nine-member board which consists of one member appointed by Carlton County, three members appointed by the City of Cloquet, four members appointed by the City of Duluth and one member appointed by St. Louis County. The Board is organized with a chair and vice-chair elected in July of each year.

As required by generally accepted accounting principles, these financial statements present WLSSD (primary government) and its component units for which WLSSD is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, WLSSD is not required to include any component units.

**B. Basis of Presentation - Fund Accounting**

The accounts of WLSSD are presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**C. Basis of Accounting**

Accounting records are maintained on the accrual basis, under which revenues are recorded when earned, and expenses, including vacation leave, are recorded when incurred.

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position**

**1. Assets**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, WLSSD has defined cash and cash equivalents as deposits in checking and savings accounts and petty cash. All other investments are not considered to be cash equivalents.

WLSSD has elected to value all money market and participating interest-earning investment contracts that mature within one year of acquisition at amortized cost. All of WLSSD's holdings in commercial paper, bankers' acceptances, negotiable certificates of deposit, and government agency securities qualify for amortized cost reporting. WLSSD's investments in money market mutual funds are valued at the current share price. The carrying value of the investments which are valued at amortized cost does not differ materially from the fair value of those investments.

**Inventory**

The inventory consists of chemicals, fuels, and expendable supplies held for consumption. The chemicals and fuels were inventoried at year-end and were valued at cost using the first-in, first-out method. A perpetual inventory system is maintained for the supplies inventory, which is valued using the moving weighted-average cost method.

**Restricted Assets**

Certain funds of WLSSD are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Restricted assets consist of monies specified for payment of memorial fund scholarships, wastewater infrastructure capital replacement, and bond and note principal and interest. These assets are offset by restricted net position.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position (Continued)**

**1. Assets (Continued)**

Capital Assets

Capital assets are defined by WLSSD as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Depreciation of capital assets is determined using the straight-line method. The estimated useful lives of the assets are:

<u>Classification</u>	<u>Range</u>
Buildings and Structures	30 Years
Improvements Other Than Buildings	10-20 Years
Furniture and Equipment:	
Furniture	10 Years
Equipment	5-15 Years
Motor Vehicles	5 Years

**2. Liabilities**

Compensated Absences

Employees are granted from ten to twenty-six days of vacation per year depending on their years of service and union bargaining unit. Varying amounts of vacation, depending on length of service, may be accumulated and carried over to the succeeding year. Unused vacation is paid to employees upon their termination. Vacation leave is expensed when earned.

Effective January 1, 1984, employees no longer accrue sick leave. Personnel are authorized sick leave as needed up to a maximum of twenty weeks. Prior to 1984, sick leave was earned and accumulated at various rates based on length of service.



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position (Continued)**

**2. Liabilities (Continued)**

Other Post-Employment Benefits

WLSSD's supervisory/confidential employees participate in a post-retirement health savings plan administered by the Minnesota State Retirement System. At retirement, the value of supervisory/confidential employee's vacation balance is transferred to the post-retirement health savings plan to be used to cover post-retirement medical expenses. The amounts are contributed tax-free and there are no taxes paid when the amounts are withdrawn from the employees account.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**3. Net Position**

WLSSD's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

When an expense is incurred for purposes which both restricted and unrestricted net position is available, it is WLSSD's policy to use restricted first, then unrestricted net position.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position (Continued)**

**3. Net Position (Continued)**

It is WLSSD's policy to maintain minimum unrestricted net position targets for solid waste and wastewater functions. In the solid waste function the operations fund should maintain unrestricted net position of at least 25% of the next year's annual operating expenses, or \$1,366,180. In addition, the solid waste function should maintain a balance of \$550,000 in the capital fund and \$150,000 in the transfer station capital fund. In the wastewater function, the operations fund should maintain unrestricted net position of at least 25% of the next year's annual operating expenses, or \$4,349,037. The wastewater function should maintain a balance of \$1,000,000 in the capital fund plus the highest annual WIF set aside of \$1,420,827, for a total at December 31, 2021 of \$2,420,827.

**E. Revenues**

Operating revenues, such as user charges, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as operating grants and earnings on investments, result from non-exchange transactions or incidental activities.

WLSSD's operating and maintenance costs are allocated to the municipalities and industries using WLSSD's sewage treatment system through a user service charge. The allocation is based on the "Cost Apportionment Policy" adopted by the Board of Directors.

The general planning, regulation, and technical assistance provided by WLSSD are funded by a district-wide allocation. These costs are allocated against all governmental units within WLSSD based on their assessed valuation.

Solid waste users are charged tipping fees based on the volume of refuse disposed and a hauler collected solid waste management fee based on the customer container sizes. The fees are approved by the Board. A line item fee is levied on residential parcels to cover use of the solid waste facilities such as the household hazardous waste facility and material recovery center. The amount to be charged against real estate per parcel is set by the Board and certified to St. Louis County and Carlton County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The counties are required to distribute collections to WLSSD three times each year.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Revenues (Continued)**

The property tax calendar is as follows:

Adopt final levy and certify to Counties	October 15
Lien date	January 1
Receive first installment from Counties prior year's balance of tax collections	January 26
First half property taxes due	May 15
Receive second installment from County first half tax collections	July 6
Second half property taxes due	October 15
Receive third installment from County second half tax collections	December 4

Capital contributions consist of federal and state capital grants for the construction of pump stations and other wastewater treatment system improvements.

**F. Expenses**

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on the capital assets. All expenses not meeting this definition are reported as other expenses.

**G. Use of Estimates**

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

**H. Prior Period Comparative Financial Information/Reclassification**

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**2. Stewardship, Compliance, and Accountability**

**A. General Obligation Bond Reserve Requirement**

The bond resolutions require that the value of cash, cash equivalents, and investments on hand at October 1, 2021 and 2020 plus the estimated revenues to be collected through September 30, 2021 and 2020, be not less than the amount of principal and interest due on the bonds in the next succeeding year. WLSSD has complied with this requirement.

**B. Budgets and Budgetary Accounting**

Minnesota Statutes §458D.08 requires WLSSD's Board to adopt an annual budget. WLSSD follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) During August and September, the Executive Director submits to the Board of Directors an estimate of revenues and expenses for the fiscal year commencing January 1. Revenues and expenses are budgeted on an accrual basis.
- (2) The budget is adopted by the Board of Directors by the passage of a motion on or before November 1.
- (3) The Board of Directors may increase or decrease the budget at any time by the passage of a motion. Management may increase or decrease line items within the budget.
- (4) Budgetary control of expenses is maintained at the level of total expenses. For management control purposes, the expenses are controlled at the department level.
- (5) Unexpended items within the budget lapse at year-end.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**2. Stewardship, Compliance, and Accountability (Continued)**

**B. Budgets and Budgetary Accounting (Continued)**

Below is a summary statement of actual and budget revenues and expenses for the fiscal years ended December 31, 2021 and 2020:

	2021		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating Revenue:			
User Charges - Municipalities	\$ 11,981,392	\$ 11,777,530	\$ (203,862)
User Charges - Industries	13,408,870	15,703,424	2,294,554
User Charges - Solid Waste	5,790,813	5,976,171	185,358
Service Fee - Solid Waste	2,600,000	2,752,929	152,929
District-wide Allocation	355,000	355,002	2
Capacity Availability Charges	250,000	542,352	292,352
Other Income	1,026,800	1,346,532	319,732
Total Operating Revenue	35,412,875	38,453,940	3,041,065
Operating Expenses:			
Operating Expenses Before Depreciation	25,873,750	25,672,032	201,718
Depreciation	8,791,061	9,747,496	(956,435)
Total Operating Expenses	34,664,811	35,419,528	(754,717)
Operating Income (Loss)	748,064	3,034,412	2,286,348
Nonoperating Revenue (Expenses):			
Earnings on Investments	385,000	22,779	(362,221)
Gain on Sale of Capital Asset	-	1,125	1,125
Intergovernmental Grants	375,598	379,230	3,632
Property Taxes	1,137,038	1,138,349	1,311
Interest Expense	(666,330)	(621,700)	44,630
Total Nonoperating Revenue (Expenses)	1,231,306	919,783	(311,523)
Income (Loss) Before Contributions	1,979,370	3,954,195	1,974,825
Capital Contributions	-	143,899	143,899
Change in Net Position	\$ 1,979,370	\$ 4,098,094	\$ 2,118,724

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**2. Stewardship, Compliance, and Accountability (Continued)**

**B. Budgets and Budgetary Accounting (Continued)**

	2020		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
User Charges - Municipalities	\$ 11,883,098	\$ 11,740,835	\$ (142,263)
User Charges - Industries	15,302,537	15,735,905	433,368
User Charges - Solid Waste	5,756,207	5,673,387	(82,820)
Service Fee - Solid Waste	2,600,000	2,587,586	(12,414)
District-wide Allocation	355,000	355,001	1
Capacity Availability Charges	350,000	528,092	178,092
Other Income	808,710	1,345,978	537,268
Total Operating Revenue	37,055,552	37,966,784	911,232
Operating Expenses:			
Operating Expenses Before			
Depreciation	24,631,572	25,671,991	(1,040,419)
Depreciation	10,467,018	11,252,721	(785,703)
Total Operating Expenses	35,098,590	36,924,712	(1,826,122)
Operating Income (Loss)	1,956,962	1,042,072	(914,890)
Nonoperating Revenue (Expenses):			
Earnings on Investments	751,000	542,300	(208,700)
Operating Grants	374,500	375,602	1,102
Property Taxes	1,131,226	1,212,482	81,256
Interest Expense	(742,821)	(717,299)	25,522
Total Nonoperating Revenue (Expenses)	1,513,905	1,413,085	(100,820)
Income (Loss) Before Contributions	3,470,867	2,455,157	(1,015,710)
Capital Contributions	-	1,435,731	1,435,731
Change in Net Position	\$ 3,470,867	\$ 3,890,888	\$ 420,021

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes**

**A. Assets**

**1. Deposits and Investments**

Reconciliation of WLSSD's total cash and investments to the financial statements follows:

	2021	2020
Current Assets:		
Cash and Cash Equivalents	\$ 3,923,801	\$ 4,005,159
Investments	23,728,093	22,137,937
Restricted Assets:		
Memorial Fund Investments	2,237	2,336
Wastewater Infrastructure Fund Capital Replacement		
Investments	6,596,769	5,600,942
Debt Service Investments	20,925,912	19,481,363
Total Cash and Investments	<u>\$ 55,176,812</u>	<u>\$ 51,227,737</u>

**a. Deposits**

Minnesota Statutes §§118A.02 and 118A.04 authorize WLSSD to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes §118A.03 requires that all WLSSD's deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged shall be at least 10% more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a financial institution failure, WLSSD's deposits may not be returned to it. WLSSD's policy is that all Certificates of Deposit shall be collateralized in compliance with Minnesota Statutes §118A.03. As of December 31, 2021 and 2020, WLSSD's bank balance were not exposed to custodial credit risk.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to WLSSD:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Statutes §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The Minnesota Municipal Money Market Fund is a money market account that is valued at amortized cost with maturities of investments of one year or less. The Minnesota Municipal Market Trust Fund does not have its own credit rating. PMA Financial Network, Inc., who administers the Minnesota Municipal Money Market Fund Trust, holds an organization credit rating of AA by Standard & Poor’s.



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is WLSSD's policy that all investment securities be held in safekeeping in compliance with the requirements of Minnesota Statutes §118A.06. This statute allows investment securities to be held in safekeeping with (1) any federal reserve bank, (2) any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to the bank from which the investment is purchased, (3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York, or (4) a securities broker-dealer which is registered as a broker-dealer under chapter 80A or is exempt from the registration requirements, is regulated by the Securities and Exchange Commission, and maintains insurance through the Securities Investor Protection Corporation or excess insurance coverage in an amount equal to or greater than the value of the securities held.

At December 31, 2021 and 2020, WLSSD had no investments which were subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. WLSSD investment policy limits investment maturities to fewer than two years. The policy sets guidelines for the minimum percentages of the investment portfolio to be maintained at various maturities. In this way, WLSSD minimizes their exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is WLSSD's policy to invest only in securities that meet the ratings requirements set by state statute. Minnesota Statutes §118A.04 requires commercial paper to be rated in the highest quality category by at least two nationally recognized rating agencies and mature in 270 days or less. State and local government securities must be rated "A" or better for general obligation securities and "AA" or better for revenue obligations. Public funds may also be invested in United States securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by WLSSD's investment in a single issuer. It is WLSSD's policy to diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

WLSSD's investment policy allows WLSSD to invest in U.S. treasury obligations, U.S. government agency securities, and certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation, without limit. However, certificates of deposit are limited to 50% with any one depository. Repurchase agreements and bankers' acceptances are limited by the investment policy to no more than 50% of the portfolio and no more than 50% with any one depository. Commercial paper is limited to no more than 50% of the portfolio and no more than 10% with any one issuer. Money market funds are limited to a maximum of 25% of the portfolio.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit, and Interest Rate Risks**

	Credit Risk		Concentration Risk	Interest Rate Risk		
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying Value as of 12/31/21	
Negotiable Certificates of Deposit						
Midland States Bank IL CD	N/R,N/R	N/A	<5%	1/20/2022	\$	249,800
Customers Bank NY CD	N/R,N/R	N/A	<5%	1/20/2022		249,600
Tioga State Bank Spencer NY CD	N/R,N/R	N/A	<5%	1/26/2022		249,000
Northpointe Bank Grand Rapids CD	N/R,N/R	N/A	<5%	1/28/2022		249,000
Incrediblebank Wausau WI CD	N/R,N/R	N/A	<5%	1/28/2022		249,000
Pacific City Bank Los Angeles CA CD	N/R,N/R	N/A	<5%	1/28/2022		249,000
Enerbank USA UT CD	N/R,N/R	N/A	<5%	1/28/2022		249,000
CIBC Bank USA / Private Bank MI CD	N/R,N/R	N/A	<5%	2/14/2022		249,700
Western Alliance Bank / Torrey Pines Bank CA CD	N/R,N/R	N/A	<5%	2/14/2022		249,300
Toyota Financial Savings Bank CD	N/R,N/R	N/A	<5%	2/16/2022		222,000
Flagstar Bank Bloomfield Hills MI CD	N/R,N/R	N/A	<5%	2/18/2022		249,000
Discover Bank CD	N/R,N/R	N/A	<5%	2/23/2022		249,000
Comenity Capital Bank UT CD	N/R,N/R	N/A	<5%	2/24/2022		249,000
United Republic Bank of Omaha NE CD	N/R,N/R	N/A	<5%	2/25/2022		249,000
DMB Community Bank Deforest WI CD	N/R,N/R	N/A	<5%	2/25/2022		249,000
Israel Disc Bank New York NY CD	N/R,N/R	N/A	<5%	2/25/2022		249,000
Meridian Bank Paoli PA CD	N/R,N/R	N/A	<5%	2/25/2022		249,000
PromiseOne Bank Duluth CD	N/R,N/R	N/A	<5%	2/25/2022		249,000
Envision Bank MA CD	N/R,N/R	N/A	<5%	2/25/2022		249,000
Mizrahi Tefahot Bank LTD CD	N/R,N/R	N/A	<5%	2/28/2022		249,000
Mountainone Bank North Adams MA CD	N/R,N/R	N/A	<5%	3/1/2022		249,000
Kearny Bank New Jersey CD	N/R,N/R	N/A	<5%	3/15/2022		248,984
First National Bank ME CD	N/R,N/R	N/A	<5%	3/18/2022		249,800
Royal Business Bank CA CD	N/R,N/R	N/A	<5%	3/18/2022		249,700
Enterprise Bank Allison Park PA CD	N/R,N/R	N/A	<5%	3/18/2022		249,000
Exchange Bank Gibbon NE CD	N/R,N/R	N/A	<5%	3/18/2022		249,000
Guilford Savings Bank CT CD	N/R,N/R	N/A	<5%	3/24/2022		249,000
Mizuho Bank USA CD	N/R,N/R	N/A	<5%	3/24/2022		249,000
Bradesco Bac FL CD	N/R,N/R	N/A	<5%	3/24/2022		249,000
Banesto USA FL CD	N/R,N/R	N/A	<5%	3/29/2022		249,000
First National Bank Middle TN CD	N/R,N/R	N/A	<5%	3/29/2022		249,000
Bank of San Francisco CA CD	N/R,N/R	N/A	<5%	3/29/2022		249,000
State Bank of India NY CD	N/R,N/R	N/A	<5%	3/30/2022		249,000
CFG Community Bank MD CD	N/R,N/R	N/A	<5%	3/31/2022		249,000
Medallion Bank Salt Lake City UT CD	N/R,N/R	N/A	<5%	4/14/2022		249,001
First Bank of Ohio CD	N/R,N/R	N/A	<5%	4/18/2022		249,700
BMW Bank North America Salt Lake City UT CD	N/R,N/R	N/A	<5%	4/22/2022		249,000
TIAA FSB Jacksonville FL CD	N/R,N/R	N/A	<5%	4/27/2022		249,000
Academy Bank Colorado Springs CO CD	N/R,N/R	N/A	<5%	4/28/2022		249,000
Caldwell Bank & Trust Co Columbia LA CD	N/R,N/R	N/A	<5%	4/29/2022		249,000
First Heritage Bank Centralia KS CD	N/R,N/R	N/A	<5%	5/20/2022		249,000
Security State Bank KS CD	N/R,N/R	N/A	<5%	5/20/2022		249,700
Greenstate Credit Union IA CD	N/R,N/R	N/A	<5%	5/20/2022		249,600
Texas Brand Bank TX CD	N/R,N/R	N/A	<5%	5/20/2022		249,800
Fieldpoint Private Bank & Trust CT CD	N/R,N/R	N/A	<5%	5/20/2022		249,800
Beal Bank Plano TX CD	N/R,N/R	N/A	<5%	6/29/2022		249,000
Beal Bank Las Vegas NV CD	N/R,N/R	N/A	<5%	6/29/2022		249,000
Infinity Bank Santa Ana CA CD	N/R,N/R	N/A	<5%	7/28/2022		249,000
UBS Bank Salt Lake City UT CD	N/R,N/R	N/A	<5%	7/28/2022		249,000
Bank Hapoalim NY CD	N/R,N/R	N/A	<5%	7/29/2022		249,000

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit and Interest Rate Risks (Continued)**

	Credit Risk	Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Carrying Value as of 12/31/21
Bank of China NY CD	N/R,N/R	N/A	<5%	7/29/2022 \$ 249,000
Industrial & Commercial Bank China CD	N/R,N/R	N/A	<5%	8/19/2022 249,000
Servisfirst Bank FL CD	N/R,N/R	N/A	<5%	8/22/2022 249,500
New Omni Bank CA CD	N/R,N/R	N/A	<5%	8/22/2022 249,800
Newbank NY CD	N/R,N/R	N/A	<5%	8/22/2022 249,900
State Bank of India Chicago IL CD	N/R,N/R	N/A	<5%	8/23/2022 249,000
Safra National Bank NY CD	N/R,N/R	N/A	<5%	8/26/2022 249,000
Citizens State Bank Royal Oak MI CD	N/R,N/R	N/A	<5%	8/30/2022 248,894
Bank of India NY CD	N/R,N/R	N/A	<5%	8/31/2022 249,000
First Internet Bank of Indiana CD	N/R,N/R	N/A	<5%	9/21/2022 249,800
Synchrony Bank CD	N/R,N/R	N/A	<5%	9/22/2022 249,000
Goldman Sachs Bank NY CD	N/R,N/R	N/A	<5%	9/29/2022 249,000
Hingham Institutional Savings MA CD	N/R,N/R	N/A	<5%	9/29/2022 249,000
United Bank Springdale AR CD	N/R,N/R	N/A	<5%	9/29/2022 249,000
Fall River Five Cents Savings Bank CD	N/R,N/R	N/A	<5%	9/30/2022 249,000
Trustar Bank VA CD	N/R,N/R	N/A	<5%	10/20/2022 249,600
First Priority Bank OK CD	N/R,N/R	N/A	<5%	10/20/2022 249,600
Third Coast Bank SSB TX CD	N/R,N/R	N/A	<5%	10/20/2022 249,700
Prospect Bank / Edgard County B&TC IL CD	N/R,N/R	N/A	<5%	10/20/2022 249,700
Allegiance Bank Texas TX CD	N/R,N/R	N/A	<5%	10/20/2022 249,800
Midcountry Bank Marion IL CD	N/R,N/R	N/A	<5%	10/21/2022 249,000
Devon Bank Chicago IL CD	N/R,N/R	N/A	<5%	10/21/2022 249,000
Webbank Salt Lake City UT CD	N/R,N/R	N/A	<5%	10/21/2022 249,000
Dundee Bank NE CD	N/R,N/R	N/A	<5%	10/28/2022 249,000
John Marshall Bank Reston VA CD	N/R,N/R	N/A	<5%	10/28/2022 103,000
Kansas State Bank of Manhattan KS CD	N/R,N/R	N/A	<5%	11/21/2022 249,500
Financial Federal Bank TN CD	N/R,N/R	N/A	<5%	11/22/2022 249,500
First National Bank America East Lansing MI CD	N/R,N/R	N/A	<5%	11/23/2022 249,000
Merrick Bank South Jordan UT CD	N/R,N/R	N/A	<5%	11/30/2022 249,000
First Foundation Bank Irvine CA CD	N/R,N/R	N/A	<5%	12/12/2022 248,828
Latino Community Credit Union NC CD	N/R,N/R	N/A	<5%	12/16/2022 249,300
Bank England AR CD	N/R,N/R	N/A	<5%	12/27/2022 249,000
LCA Bank Corp UT CD	N/R,N/R	N/A	<5%	12/27/2022 249,000
Plains State Bank TX CD	N/R,N/R	N/A	<5%	12/30/2022 249,000
Total Negotiable Certificates of Deposit				20,757,907
U.S. Treasury Notes				
U.S. Treasury Notes	N/R,N/R	N/A	<5%	5/15/2022 1,512,668
U.S. Treasury Notes	N/R,N/R	N/A	<5%	11/15/2022 1,015,158
U.S. Treasury Notes	N/R,N/R	N/A	<5%	11/15/2022 1,015,054
U.S. Treasury Notes	N/R,N/R	N/A	<5%	12/31/2022 998,283
U.S. Treasury Notes	N/R,N/R	N/A	<5%	12/31/2022 998,343
Total U.S. Treasury Notes				5,539,506

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit and Interest Rate Risks (Continued)**

	Credit Risk		Concentration Risk	Interest Rate Risk		
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying Value as of 12/31/21	
U.S. Treasury Bill						
U.S. Treasury Bill	N/R,N/R	N/A	<5%	1/27/2022	\$ 999,420	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	1/31/2022	1,510,287	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	3/24/2022	499,760	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	3/24/2022	999,529	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	4/15/2022	1,010,736	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	6/16/2022	999,456	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	6/16/2022	999,308	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	6/16/2022	999,300	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	7/14/2022	1,499,258	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	7/14/2022	1,499,258	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	8/11/2022	999,559	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	10/6/2022	999,222	
U.S. Treasury Bill	N/R,N/R	N/A	<5%	12/1/2022	998,139	
Total U.S. Treasury Bill						14,013,232
U.S. Government Agency Securities						
Federal Farm Credit Bank	N/R,N/R	N/A	<5%	8/10/2022	1,000,105	
Federal Farm Credit Bank	N/R,N/R	N/A	<5%	8/25/2022	1,000,199	
Total U.S. Government Agency Securities						2,000,304
Total Investments			100%			42,310,949
Repurchase Agreements						
U.S. Bank - Sweep						2,858,076
Deposits						1,065,231
4M Fund	N/A	N/A		N/A		2,409,995
Govt Money Market Fund	AAA	S&P/Moody's		N/A		2,458,780
First American-Prime Obligation Fund	AAA	S&P/Moody's		N/A		1,371,346
Moreton Money Market	Aaa-AAA	S&P/Moody's		N/A		2,699,760
Petty Cash						2,675
Total Cash and Investments						\$ 55,176,812

N/A - Not Applicable

<5% - Concentration is Less Than 5% of Investment

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit and Interest Rate Risks (Continued)**

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk		Carrying Value as of 12/31/20
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date		
Negotiable Certificates of Deposit						
Bank Ozark CD	N/R,N/R	N/A	<5%	1/4/2021	\$	245,000
Pathfinder Bank Oswego NY CD	N/R,N/R	N/A	<5%	1/29/2021		249,000
Stearns Bank St Cloud MN CD	N/R,N/R	N/A	<5%	2/12/2021		248,850
CFBank Fairlawn OH CD	N/R,N/R	N/A	<5%	2/26/2021		247,000
Devon Bank Chicago IL CD	N/R,N/R	N/A	<5%	2/26/2021		249,000
Mbank Manistique MI CD	N/R,N/R	N/A	<5%	3/26/2021		247,000
Lakeland Bank NFDL NJ CD	N/R,N/R	N/A	<5%	3/30/2021		247,000
First Commercial Bank MS CD	N/R,N/R	N/A	<5%	3/30/2021		247,000
Heartland Bank Somers IA CD	N/R,N/R	N/A	<5%	3/30/2021		249,000
John Marshall Bank VA CD	N/R,N/R	N/A	<5%	5/19/2021		248,827
Bank United National Association CD	N/R,N/R	N/A	<5%	6/10/2021		249,015
Third Federal Savings & Loan Association CD	N/R,N/R	N/A	<5%	6/23/2021		209,928
Royal Savings Bank Chicago IL CD	N/R,N/R	N/A	<5%	7/22/2021		248,914
Safra National Bank New York NY CD	N/R,N/R	N/A	<5%	7/27/2021		249,000
Hingham Institutional Savings MA CD	N/R,N/R	N/A	<5%	7/27/2021		249,000
Tristate Capital Bank Pittsburgh PA CD	N/R,N/R	N/A	<5%	12/23/2021		249,000
TCF National Bank CD	N/R,N/R	N/A	<5%	12/23/2021		249,000
Fidelity Bank Edina MN CD	N/R,N/R	N/A	<5%	1/31/2021		249,000
Valley National Bank Passaic NJ CD	N/R,N/R	N/A	<5%	1/22/2021		249,000
First National Bank Omaha NE CD	N/R,N/R	N/A	<5%	1/27/2021		248,000
Enterprise Bank PA CD	N/R,N/R	N/A	<5%	1/29/2021		248,000
DMB Community Bank DeForest WI CD	N/R,N/R	N/A	<5%	2/26/2021		249,000
Great West Bank Sioux Falls SD CD	N/R,N/R	N/A	<5%	3/1/2021		249,000
Fifth Third Bank OH CD	N/R,N/R	N/A	<5%	3/25/2021		247,000
Northpointe Bank Grand Rapids MI CD	N/R,N/R	N/A	<5%	3/26/2021		247,000
Synchrony Bank Retail CD	N/R,N/R	N/A	<5%	3/25/2021		247,000
Texas Exchange Bank SSB Crowley CD	N/R,N/R	N/A	<5%	3/31/2021		185,000
Bank of China New York City NY CD	N/R,N/R	N/A	<5%	4/22/2021		249,000
Community National Bank Derby VT CD	N/R,N/R	N/A	<5%	4/30/2021		249,000
Bank Hapoalim NY CD	N/R,N/R	N/A	<5%	5/10/2021		244,705
Lincoln 1st Bank Lincoln Park NJ CD	N/R,N/R	N/A	<5%	5/21/2021		249,000
DNB First National Assn Downingtown PA CD	N/R,N/R	N/A	<5%	5/27/2021		245,225
Baneco USA Coral Gables FL CD	N/R,N/R	N/A	<5%	5/28/2021		249,000
Grasshopper Bank NY CD	N/R,N/R	N/A	<5%	5/28/2021		249,000
PlainsCapital Bank Dallas TX CD	N/R,N/R	N/A	<5%	5/28/2021		249,000
Isabella Bank Mt Pleasant MI CD	N/R,N/R	N/A	<5%	6/16/2021		245,617
American Bank Wellsville MO CD	N/R,N/R	N/A	<5%	6/25/2021		249,000
Morton Community Bank IL CD	N/R,N/R	N/A	<5%	7/19/2021		246,875
Sturgis Bank & Trust Co Sturgis MI CD	N/R,N/R	N/A	<5%	7/20/2021		247,298
Bank Baroda NY CD	N/R,N/R	N/A	<5%	7/22/2021		249,005
First Federal Savings Bank Huntington IN CD	N/R,N/R	N/A	<5%	7/26/2021		247,999

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
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**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit and Interest Rate Risks (Continued)**

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk		Carrying Value as of 12/31/20
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date		
Bankwest Inc. Pierre SD CD	N/R,N/R	N/A	<5%	7/29/2021	\$	249,000
Dallas Capital Bank NA CD	N/R,N/R	N/A	<5%	7/29/2021		249,000
Home Exchange Bank Jamesport MO CD	N/R,N/R	N/A	<5%	7/30/2021		249,000
Discover Bank Greenwood DE CD	N/R,N/R	N/A	<5%	8/24/2021		246,486
Farmers State Bank Waterloo IA CD	N/R,N/R	N/A	<5%	8/30/2021		249,000
Beal Bank SSB Plano TX CD	N/R,N/R	N/A	<5%	9/29/2021		249,000
Lone Star Cap Bank San Antonio TX CD	N/R,N/R	N/A	<5%	9/30/2021		249,000
Merchants & Manufacturers Bank Joliet IL CD	N/R,N/R	N/A	<5%	9/30/2021		249,000
Cumberland Federal Bank WI CD	N/R,N/R	N/A	<5%	10/29/2021		249,000
Grand Bank Tulsa OK CD	N/R,N/R	N/A	<5%	10/29/2021		249,000
Visionbank IA CD	N/R,N/R	N/A	<5%	11/30/2021		246,748
LCA Bank Corp Park City UT CD	N/R,N/R	N/A	<5%	12/28/2021		249,000
Royal Business Bank CA CD	N/R,N/R	N/A	<5%	1/27/2021		245,800
Landmark Community Bank TN CD	N/R,N/R	N/A	<5%	1/27/2021		245,900
CIBC Bank USA/Private Bank MI CD	N/R,N/R	N/A	<5%	1/27/2021		245,800
Elga Credit Union MI CD	N/R,N/R	N/A	<5%	1/27/2021		245,900
Western Alliance Bank/Torrey Pines Bank CA CD	N/R,N/R	N/A	<5%	1/27/2021		245,800
Prudential Bank PA CD	N/R,N/R	N/A	<5%	1/27/2021		246,000
Broadway Federal Bank FSB CA CD	N/R,N/R	N/A	<5%	1/27/2021		246,000
Lakeside Bank CD	N/R,N/R	N/A	<5%	3/30/2021		249,124
Douglas National Bank CD	N/R,N/R	N/A	<5%	3/31/2021		249,000
Howard Bank/Ellicott CD	N/R,N/R	N/A	<5%	3/31/2021		247,000
First Bank NC CD	N/R,N/R	N/A	<5%	3/31/2021		249,000
River Bank WI CD	N/R,N/R	N/A	<5%	4/19/2021		247,900
TBK Bank SSB / The National Bank IL CD	N/R,N/R	N/A	<5%	4/19/2021		247,700
American Plus Bank, NA CA CD	N/R,N/R	N/A	<5%	4/20/2021		247,800
BMO Harris Bank NA CD	N/R,N/R	N/A	<5%	4/23/2021		247,000
Third Coast Bank, SSB TX CD	N/R,N/R	N/A	<5%	5/19/2021		248,400
Golden Bank NA TX CD	N/R,N/R	N/A	<5%	5/19/2021		249,100
Grand Ridge National Bank IL CD	N/R,N/R	N/A	<5%	5/19/2021		249,200
Brookline Bank MA CD	N/R,N/R	N/A	<5%	5/19/2021		249,200
Vast Bank / Valley National Bank OK CD	N/R,N/R	N/A	<5%	5/19/2021		249,400
Centier Bank IN CD	N/R,N/R	N/A	<5%	5/19/2021		249,300
Southern States Bank AL CD	N/R,N/R	N/A	<5%	5/19/2021		249,500
Fieldpoint Private Bank & Trust CT CD	N/R,N/R	N/A	<5%	5/19/2021		249,600
Financial Federal Bank TN CD	N/R,N/R	N/A	<5%	5/20/2021		249,300
EagleBank VA CD	N/R,N/R	N/A	<5%	6/23/2021		249,600
CIBM Bank WI CD	N/R,N/R	N/A	<5%	6/23/2021		249,600
First Community Credit Union Beloit WI CD	N/R,N/R	N/A	<5%	6/23/2021		249,600
Great Midwest Bank WI CD	N/R,N/R	N/A	<5%	6/23/2021		249,500
Global Bank NY CD	N/R,N/R	N/A	<5%	6/23/2021		249,500

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
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**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit and Interest Rate Risks (Continued)**

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk		Carrying Value as of 12/31/20
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date		
First Western Federal Savings Bank SD CD	N/R,N/R	N/A	<5%	7/23/2021	\$	249,700
Newbank NA NY CD	N/R,N/R	N/A	<5%	7/23/2021		249,700
Farmers Bank & Trust KS CD	N/R,N/R	N/A	<5%	7/23/2021		249,700
New Omni Bank NA CA CD	N/R,N/R	N/A	<5%	7/23/2021		249,600
Mainstreet Bank VA CD	N/R,N/R	N/A	<5%	7/23/2021		249,600
Servisfirst Bank FL CD	N/R,N/R	N/A	<5%	7/23/2021		249,300
Pacific Western Bank CA CD	N/R,N/R	N/A	<5%	8/25/2021		249,600
First Internet Bank of Indiana CD	N/R,N/R	N/A	<5%	8/25/2021		249,700
Bank 7 OK CD	N/R,N/R	N/A	<5%	8/25/2021		249,700
Merrick Bank UT CD	N/R,N/R	N/A	<5%	8/25/2021		249,700
Crossfirst Bank KS CD	N/R,N/R	N/A	<5%	9/21/2021		249,800
Veritex Community Bank TX CD	N/R,N/R	N/A	<5%	9/21/2021		249,700
Three Rivers Federal Credit Union IN CD	N/R,N/R	N/A	<5%	9/21/2021		249,700
Allegiance Bank TX CD	N/R,N/R	N/A	<5%	9/21/2021		249,700
Kansas State Bank of Manhattan KS CD	N/R,N/R	N/A	<5%	10/19/2021		249,600
Premier Bank IA CD	N/R,N/R	N/A	<5%	10/19/2021		249,700
Valliance Bank NA OK CD	N/R,N/R	N/A	<5%	10/19/2021		249,800
Paducah Bank & Trust Company KY CD	N/R,N/R	N/A	<5%	10/19/2021		249,900
Southside Bank TX CD	N/R,N/R	N/A	<5%	11/18/2021		249,800
GBC International Bank CA CD	N/R,N/R	N/A	<5%	12/17/2021		249,700
Preferred Bank NY CD	N/R,N/R	N/A	<5%	12/17/2021		249,600
Texas Capital Bank TX CD	N/R,N/R	N/A	<5%	12/17/2021		249,500
First Capital Bank TN CD	N/R,N/R	N/A	<5%	12/17/2021		249,500
Mizuho Bank USA CD	N/R,N/R	N/A	<5%	1/21/2021		249,000
Bangor Savings Bank CD	N/R,N/R	N/A	<5%	1/28/2021		249,000
1st Sec Bank of Washington CD	N/R,N/R	N/A	<5%	1/29/2021		249,000
Bank of India NY CD	N/R,N/R	N/A	<5%	1/27/2021		245,000
Essa Bank & Trust PA CD	N/R,N/R	N/A	<5%	1/28/2021		245,000
First Community Bank TN CD	N/R,N/R	N/A	<5%	1/29/2021		249,000
Morgan Stanley CD	N/R,N/R	N/A	<5%	1/29/2021		245,000
Plains Commerce Bank Hoven SD CD	N/R,N/R	N/A	<5%	2/1/2021		249,000
Bar Harbor Bank & Trust ME CD	N/R,N/R	N/A	<5%	2/22/2021		249,000
Pinnacle Bank Jasper AL CD	N/R,N/R	N/A	<5%	2/25/2021		249,000
First Foundation Bank Irvine CA CD	N/R,N/R	N/A	<5%	2/26/2021		249,000
Mizrahi Tefahot Bank Ltd CD	N/R,N/R	N/A	<5%	3/22/2021		249,000
First National Bank Hamilton OH CD	N/R,N/R	N/A	<5%	3/30/2021		249,000
Medallion Bank Salt Lake City UT CD	N/R,N/R	N/A	<5%	4/23/2021		249,000
Seacoast National Bank Stuart FL CD	N/R,N/R	N/A	<5%	4/27/2021		247,000
Encore Bank Little Rock AR CD	N/R,N/R	N/A	<5%	4/27/2021		249,000
Continental Bank UT CD	N/R,N/R	N/A	<5%	6/23/2021		249,000
CapTex Bank CD	N/R,N/R	N/A	<5%	6/29/2021		249,000



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Concentration of Credit Risk, Credit and Interest Rate Risks (Continued)**

Investment Type	Credit Risk		Concentration Risk		Interest Rate Risk	Carrying Value as of 12/31/20
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date		
Zions Bancorp Nat'l CD	N/R,N/R	N/A	<5%	9/22/2021	\$	249,000
State Bank of India Chicago IL CD	N/R,N/R	N/A	<5%	10/28/2021		249,000
Cathay Bank Los Angeles CA CD	N/R,N/R	N/A	<5%	11/30/2021		249,000
Washington Trust Westerly RI CD	N/R,N/R	N/A	<5%	12/23/2021		249,000
Total Negotiable Certificates of Deposit						31,455,316
U.S. Government Agency Securities						
Federal Home Loan Bank Notes	N/R,N/R	N/A	<5%	8/13/2021		1,000,075
Federal Home Loan Bank Notes	N/R,N/R	N/A	<5%	8/13/2021		1,000,085
Total U.S. Government Agency Securities						2,000,160
U.S. Treasury Bill						
U.S. Treasury Bill	N/R,N/R	N/A	<5%	6/17/2021		998,508
U.S. Treasury Bill	N/R,N/R	N/A	<5%	10/7/2021		998,924
U.S. Treasury Bill	N/R,N/R	N/A	<5%	10/7/2021		999,022
U.S. Treasury Bill	N/R,N/R	N/A	<5%	11/30/2021		1,016,815
U.S. Treasury Bill	N/R,N/R	N/A	<5%	12/2/2021		999,320
Total U.S. Treasury Bill						5,012,589
Total Investments			100%			38,468,065
Repurchase Agreements						
US Bank - Sweep						2,861,652
Deposits						1,143,168
4M Fund	N/A	N/A		N/A		1,405,821
Govt Money Market Fund	AAA	S&P/Moody's		N/A		1,700,615
First American-Prime Obligation Fund	AAA	S&P/Moody's		N/A		1,139,602
Moreton Money Market	Aaa-AAA	S&P/Moody's		N/A		4,506,139
Petty Cash						2,675
Total Cash and Investments					\$	51,227,737

N/A - Not Applicable

<5% - Concentration is Less Than 5% of Investment

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Fair Value Measurement**

WLSSD uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures.

WLSSD follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, WLSSD has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level I - Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level II - Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Fair Value Measurement (Continued)**

Level III - Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Investments are measured as follows for December 31, 2021:

Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ -	\$ 5,539,506	\$ -	\$ 5,539,506
Federal Farm Credit Bank	-	2,000,304	-	2,000,304
U.S. Treasury Bill	-	14,013,232	-	14,013,232
Total	<u>\$ -</u>	<u>\$ 21,553,042</u>	<u>\$ -</u>	<u>\$ 21,553,042</u>
Investments Measured at Amortized Cost				
4M Fund				\$ 2,409,995
Money Market Funds				5,158,540
Prime Obligation Fund				1,371,346
Repurchase Agreements				2,858,076
Negotiable Certificates of Deposit				20,757,907
Total Investments Measured at Amortized Cost				<u>32,555,864</u>
Cash and Cash Equivalents				1,067,906
Total Cash and Investments				<u>\$ 55,176,812</u>

Investments are measured as follows for December 31, 2020:

Type	Level 1	Level 2	Level 3	Total
Federal Home Loan Bank	\$ -	\$ 2,000,160	\$ -	\$ 2,000,160
U.S. Treasury Bill	-	5,012,589	-	5,012,589
Total	<u>\$ -</u>	<u>\$ 7,012,749</u>	<u>\$ -</u>	<u>\$ 7,012,749</u>
Investments Measured at Amortized Cost				
4M Fund				\$ 1,405,821
Money Market Funds				7,346,356
Repurchase Agreements				2,861,652
Negotiable Certificates of Deposit				31,455,316
Total Investments Measured at Amortized Cost				<u>43,069,145</u>
Cash and Cash Equivalents				1,145,843
Total Cash and Investments				<u>\$ 51,227,737</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**b. Investments (Continued)**

**Fair Value Measurement (Continued)**

The Minnesota Municipal Money Market Fund Trust is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board. These shares are available to be redeemed upon proper notice without restrictions and can be made as long as the District has a sufficient number of shares to meet the redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustee determines that there is an emergency that makes up the sale of the securities or determination of its net asset value not reasonably practical.

WLSSD reports its investment in the Pool at the NAV per share, the fair value established by the Pool.

**2. Due from Other Governments**

Due from other governments consists of the following:

	<u>2021</u>	<u>2020</u>
Current Assets		
Municipality Service Charges	\$ 1,106,847	\$ 1,110,763
Other	<u>279,700</u>	<u>218,455</u>
Total	<u><u>\$ 1,386,547</u></u>	<u><u>\$ 1,329,218</u></u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**3. Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 605,265	\$ -	\$ -	\$ 605,265
Easements	207,149	-	-	207,149
Total Capital Assets, Not Depreciated	812,414	-	-	812,414
Capital Assets, Depreciated				
Improvements	249,595,824	6,665,177	-	256,261,001
Buildings and Structures	74,672,544	-	-	74,672,544
Furniture and Equipment	32,655,656	224,706	-	32,880,362
Motor Vehicles	3,547,211	-	16,837	3,530,374
Total Capital Assets, Depreciated	360,471,235	6,889,883	16,837	367,344,281
Less: Accumulated Depreciation for:				
Improvements	148,980,737	9,226,722	-	158,207,459
Buildings and Structures	73,720,105	118,541	-	73,838,646
Furniture and Equipment	31,725,828	276,618	-	32,002,446
Motor Vehicles	3,224,588	125,615	16,837	3,333,366
Total Accumulated Depreciation	257,651,258	9,747,496	16,837	267,381,917
Total Capital Assets, Depreciated, Net	102,819,977	(2,857,613)	-	99,962,364
Capital Assets, Net	\$ 103,632,391	\$ (2,857,613)	\$ -	\$ 100,774,778

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 605,265	\$ -	\$ -	\$ 605,265
Easements	207,149	-	-	207,149
Total Capital Assets, Not Depreciated	812,414	-	-	812,414
Capital Assets, Depreciated				
Improvements	239,960,558	9,635,266	-	249,595,824
Buildings and Structures	74,672,544	-	-	74,672,544
Furniture and Equipment	32,237,114	418,542	-	32,655,656
Motor Vehicles	3,371,319	175,892	-	3,547,211
Total Capital Assets, Depreciated	350,241,535	10,229,700	-	360,471,235
Less: Accumulated Depreciation for:				
Improvements	138,251,649	10,729,088	-	148,980,737
Buildings and Structures	73,600,956	119,149	-	73,720,105
Furniture and Equipment	31,470,260	255,568	-	31,725,828
Motor Vehicles	3,075,671	148,917	-	3,224,588
Total Accumulated Depreciation	246,398,536	11,252,722	-	257,651,258
Total Capital Assets, Depreciated, Net	103,842,999	(1,023,022)	-	102,819,977
Capital Assets, Net	\$ 104,655,413	\$ (1,023,022)	\$ -	\$ 103,632,391

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities**

**1. Due to Other Governments**

Due to other governments consists of the following:

Current liabilities - (Payable from current assets):

	2021	2020
User Adjustments	\$ 306,160	\$ 236,995

**2. Long-Term Debt**

Long-term debt is comprised of the following:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2021
General Obligation Bonds					
2016B G.O Refunding Bond	2022	\$365,000- \$390,000	0.80-1.75	\$ 2,255,000	\$ 390,000
Total General Obligation Bonds				<u>\$ 2,255,000</u>	390,000
Less: Unamortized Discount					<u>(327)</u>
Total General Obligation Bonds, Net					<u>\$ 389,673</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**2. Long-Term Debt (Continued)**

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2021
General Obligation Taxable Revenue Notes					
2007 G.O. Taxable Revenue Note	2023	\$4,000- \$186,000	2.61	\$ 2,359,776	\$ 368,000
2009 G.O. Taxable Revenue Note	2024	\$9,541- \$158,000	2.70	1,889,541	464,000
2010 G.O. Taxable Revenue Note	2025	\$200,540- \$240,255	1.59	3,351,540	939,255
2010 G.O. Taxable Revenue Note	2025	\$40,748- \$45,000	1.59	678,748	177,000
2010 G.O. Taxable Revenue Note	2025	\$21,000- \$25,000	1.59	342,262	98,000
2010 G.O. Taxable Revenue Note	2025	\$8,000- \$11,000	1.59	151,866	43,866
2011 G.O. Taxable Revenue Note	2026	\$46,959- \$117,000	1.52	1,610,959	570,000
2011 G.O. Taxable Revenue Note	2026	\$10,131- \$23,000	1.52	316,131	113,000
2011 G.O. Taxable Revenue Note	2026	\$110,330- \$265,000	1.52	3,581,330	1,286,000
2012 G.O. Taxable Revenue Note	2027	\$180,173- \$399,000	1.69	5,452,173	2,294,000
2013 G.O. Taxable Revenue Note	2028	\$100,518- \$191,000	1.00	2,947,518	1,297,000
2013 G.O. Taxable Revenue Note	2028	\$90,969- \$150,000	1.00	2,125,969	1,018,000
2014 G.O. Taxable Revenue Note	2029	\$360,990- \$501,000	1.00	6,941,990	3,872,000
2015 G.O. Taxable Revenue Note	2030	\$180,490- \$523,000	1.00	7,029,490	4,512,000
2015 G.O. Taxable Revenue Note	2030	\$50,276- \$132,000	1.00	2,132,276	1,139,000
2016 G.O. Taxable Revenue Note	2031	\$63,599- \$131,000	1.00	1,747,561	1,223,000



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**2. Long-Term Debt (Continued)**

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2021
2016 G.O. Taxable Revenue Note	2031	\$105,016- \$239,960	1.00	\$ 3,216,871	\$ 2,191,000
2018 G.O. Taxable Revenue Note	2033	\$29,416- \$54,055	1.25	708,870	567,000
2018 G.O. Taxable Revenue Note	2033	\$97,922- \$185,760	1.25	2,448,277	1,966,000
2018 G.O. Taxable Revenue Note	2033	\$86,317- \$178,191	1.25	2,343,195	1,766,000
2018 G.O. Taxable Revenue Note	2033	\$65,173- \$144,763	1.23	1,907,254	1,549,836
2018 G.O. Taxable Revenue Note	2033	\$555,847- \$1,158,549	1.23	15,309,936	12,625,582
2019 G.O. Taxable Revenue Note	2034	\$157,520- \$158,370	1.00	2,054,155	1,609,843
2019 G.O. Taxable Revenue Note	2034	\$360,570- \$361,660	1.00	4,697,891	4,204,865
2019 G.O. Taxable Revenue Note	2034	\$28,690- \$29,580	1.00	379,365	337,000
2020 G.O. Taxable Revenue Note	2035	\$47,268- \$48,208	1.00	621,465	620,800
2020 G.O. Taxable Revenue Note	2035	\$35,684- \$36,424	1.00	469,586	245,814
2021 G.O. Taxable Revenue Note	2036	\$111,800- \$119,595	1.00	1,594,934	1,535,870
2021 G.O. Taxable Revenue Note	2036	\$132,961- \$274,365	1.00	3,707,325	783,285
Total General Obligation Taxable Revenue Notes				\$ 82,118,254	\$ 49,417,016

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**3. Debt Service Requirements**

Debt service requirements at December 31, 2021 were as follows:

Year Ending December 31	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 390,000	\$ 6,825	\$ 5,192,893	\$ 585,097
2023	-	-	5,259,313	517,943
2024	-	-	5,134,958	449,850
2025	-	-	5,032,953	385,791
2026	-	-	4,767,938	325,304
2027-2031	-	-	18,195,553	892,252
2032-2036	-	-	5,833,408	121,711
Total	\$ 390,000	\$ 6,825	\$ 49,417,016	\$ 3,277,948

**4. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,495,000	\$ -	\$ 1,105,000	\$ 390,000	\$ 390,000
Bond Discount	(1,136)	-	(809)	(327)	-
Notes from direct borrowings	50,948,479	3,777,323	5,308,786	49,417,016	5,192,893
Total	52,442,343	3,777,323	6,412,977	49,806,689	5,582,893
Sick Leave Liability	55,194	-	55,194	-	-
OPEB Liability	283,602	44,692	22,380	305,914	17,629
Long-Term Liabilities	\$ 52,781,139	\$ 3,822,015	\$ 6,490,551	\$ 50,112,603	\$ 5,600,522

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**4. Changes in Long-Term Liabilities (Continued)**

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 4,475,000	\$ -	\$ 2,980,000	\$ 1,495,000	\$ 1,105,000
Bond Discount	(2,327)	-	(1,191)	(1,136)	-
Notes from direct borrowings	48,716,689	6,993,564	4,761,774	50,948,479	5,209,724
Total	53,191,689	6,993,564	7,741,774	52,443,479	6,314,724
Sick Leave Liability	53,457	1,737	-	55,194	55,194
OPEB Liability	259,807	31,919	8,124	283,602	13,529
Long-Term Liabilities	\$ 53,504,953	\$ 7,027,220	\$ 7,749,898	\$ 52,782,275	\$ 6,383,447

The general obligation bonds and notes are retired with income from operations. WLSSD has a contingent liability against its full faith and credit to the extent that income from operations is insufficient to retire the general obligation bonds. The general obligation bonds of WLSSD are exempt from the limitations on net debt imposed by Minnesota law.

WLSSD's outstanding notes from direct borrowings of \$49,417,016 contain (1) a provision that if the WLSSD is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by WLSSD for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy availability under law and (2) a provision that if WLSSD fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**5. Refunding Debt Issued**

During 2016, WLSSD issued 2016 Taxable General Obligation Refunding Bonds, Series 2016B in the amount of \$2,255,000 with an interest rate of .80 to 1.75 percent. These proceeds were used to provide for the current refunding of the 2007A General Obligation Bonds. The balance of the 2007A maturities being refunded was \$2,505,000 and interest rates of 4.00 to 4.50 percent.

As a result of this refunding, WLSSD decreased its debt service requirements \$250,000 resulting in an economic gain (difference between the present value of the debt service payment on the old and new debt service) of \$173,248.

The deferred outflow related to the gain on refunding was not material to the financial statements of WLSSD and therefore was not recognized and amortized.

**6. Defined Benefit Pension Plans**

**a) Pension Description**

WLSSD participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of WLSSD are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**b) Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet are bound by the provisions in effect at the time they last terminate their public service.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**b) Benefits Provided (Continued)**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**c) Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee Contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal years 2021 and 2020 and WLSSD was required to contribute 7.50% for Coordinated Plan members for fiscal years 2021 and 2020. WLSSD's contributions to the General Employees Fund for the years ended December 31, 2021 and 2020 were \$583,705 and \$589,708, respectively. WLSSD's contributions were equal to the required contributions as set by state statute.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**d) Pension Costs**

At December 31, 2021 and 2020, WLSSD reported a liability of \$4,825,606 and \$6,612,989, respectively, for its proportionate share of the General Employees Fund's net pension liability. WLSSD's 2021 and 2020 net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2021 and 2020. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with WLSSD totaled \$147,300 at December 31, 2021 for a total liability of \$4,972,906 and \$203,919 at December 31, 2020 for a total liability of \$6,816,908.

The net pension liability was measured as of June 30, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. WLSSD's proportionate share of the net pension liability for December 31, 2021 was based on WLSSD's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. WLSSD's proportionate share was 0.1130% at the end of the measurement period and 0.1103% for the beginning of the period.

WLSSD's proportionate share of the net pension liability for December 31, 2020 was based on WLSSD's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. WLSSD's proportion share was 0.1103% at the end of the measurement period and 0.1071% for the beginning of the period.

For the years ended December 31, 2021 and 2020, WLSSD's recognized pension expense of \$51,449 and \$210,115 respectively for its proportionate share of the General Employees Plan's pension expense. In addition, WLSSD recognized an additional \$11,885 in 2021 and \$17,747 in 2020 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million per year to the General Employees Fund.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**d) Pension Costs (Continued)**

At December 31, 2021, WLSSD reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 29,647	\$ 147,677
Changes in Actuarial Assumptions	2,946,415	106,745
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,179,179
Changes in Proportion and Differences Between WLSSD Contributions and Proportionate Share of Contributions	225,092	37,337
WLSSD Contributions Subsequent to the Measurement Date	303,194	-
Total	<u>\$ 3,504,348</u>	<u>\$ 4,470,938</u>

\$303,194 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2022	\$ (152,922)
2023	19,554
2024	3,466
2025	(1,139,882)

At December 31, 2020, WLSSD reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**d) Pension Costs (Continued)**

	2020	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 60,294	\$ 25,020
Changes in Actuarial Assumptions	-	245,169
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	114,244	-
Changes in Proportion and Differences Between WLSSD Contributions and Proportionate Share of Contributions	152,893	99,167
WLSSD Contributions Subsequent to the Measurement Date	312,453	-
Total	<u>\$ 639,884</u>	<u>\$ 369,356</u>

**e) Total Pension Expense**

The total pension expense for all plans recognized by WLSSD for the year ended December 31, 2021 and 2020, was \$63,334 and \$227,862, respectively.

**f) Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10 %
International Stocks	16.5 %	5.30
Fixed Income	25.0 %	0.75
Private Markets	25.0 %	5.90
Totals	<u>100.0 %</u>	



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**g) Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021 and 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Assumptions	2021	2020
Inflation	2.25% per Year	2.25% per Year
Salary Increases	3.00% per Year	3.00% per Year
Investment Rate of Return	7.50%	7.50%

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

Changes in Actuarial Assumptions:

- (1) The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- (2) The morality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**g) Actuarial Assumptions (Continued)**

**Changes in Plan Provisions:**

- (1) There were no changes in plan provisions since the previous valuation.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

**Changes in Actuarial Assumptions:**

- (1) The price inflation assumption was decreased from 2.50% to 2.25%.
- (2) The payroll growth assumption was decreased from 3.25% to 3.00%.
- (3) Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- (4) Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- (5) Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- (6) Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- (7) The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- (8) The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- (9) The assumed spouse age difference was changed from two years older for females to one year older.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**g) Actuarial Assumptions (Continued)**

Changes in Actuarial Assumptions (Continued):

- (10) The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- (11) Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**h) Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**i) Pension Liability Sensitivity**

The following presents WLSSD's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what WLSSD's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Higher	Current Discount Rate	1% Lower
<u>June 30, 2021</u>			
General Employees Fund Discount Rate	6.50%	7.50%	8.50%
Sensitivity of Net Pension Liability at Current Single Discount Rate	\$ 9,841,773	\$ 4,825,606	\$ 709,535
<u>June 30, 2020</u>			
General Employees Fund Discount Rate	6.50%	7.50%	8.50%
Sensitivity of Net Pension Liability at Current Single Discount Rate	\$ 10,598,328	\$ 6,612,989	\$ 3,325,405

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**6. Defined Benefit Pension Plans (Continued)**

**j) Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**7. Postemployment Benefits**

**Plan Description and Funding Policy**

WLSSD participates in a single-employer fully-insured plan. Active employees who retire from WLSSD when eligible to receive a retirement benefit from PERA, that do not qualify for the aforementioned benefits, and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependents under WLSSD's health benefits program. These retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The plan does not issue a publicly available financial report. There are 104 active employees, 2 retirees receiving payments, 0 spouses receiving payments, and 0 inactive employees entitled to but not yet receiving benefits.

**Funding Policy**

WLSSD has no assets accumulated in a trust that meets the criteria in GASB 75. The authority to provide these benefits is established in Minnesota Statutes §471.61, subdivision 2a. The cost of other postemployment benefits is funded on a "pay-as-you-go" method. For the year ended December 31, 2021, WLSSD contributed \$13,529 to the plan and contributed \$8,124 to the plan for the year ended December 31, 2020.

**Actuarial Methods and Assumptions**

WLSSD's OPEB liability was measured as of January 1, 2021 and January 1, 2020, and the total OPEB liability each year was determined by an actuarial valuation as of January 1, 2021.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**7. Postemployment Benefits (Continued)**

Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods including in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increases	Service Graded Table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale, and other adjustments.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2020 to December 31, 2020.

The discount rate used to measure the total OPEB liability was 2.00% for 2021 and 3.80 % for 2020. The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The Inflation Rate was changed from 2.50% to 2.00%.
- The Retirement and withdrawal tables were updated.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.00%.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**7. Postemployment Benefits (Continued)**

Actuarial Methods and Assumptions (Continued)

Changes in the OPEB Liability

	Total OPEB Liability 2021	Total OPEB Liability 2020
Balance January 1,	\$ 283,602	\$ 259,807
Changes for the Year:		
Service Costs	29,862	21,387
Interest Cost	11,657	10,532
Assumption Changes	3,173	-
Differences Between Expected and Actual Experience	(8,851)	-
Benefit Payments	(13,529)	(8,124)
Net Change in Total OPEB Liability	22,312	23,795
Balance as of December 31,	<u>\$ 305,914</u>	<u>\$ 283,602</u>

The following presents the OPEB liability of WLSSD, as well as what the WLSSD's OPEB liability would be if it were calculated using a discount rate one percentage lower or one percentage higher than the current discount rate:

2021	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.80%)
OPEB Liability	\$ 325,459	\$ 305,914	\$ 287,147
2020	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
OPEB Liability	\$ 302,910	\$ 283,602	\$ 265,448

The following presents the OPEB liability of WLSSD, as well as what the WLSSD's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50% decreasing to 4.00% over 6 years) or 1% higher (7.50% decreasing to 6.00% over 5 years) than the current healthcare cost trend rates:

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**7. Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions (Continued)**

	1% Decrease (5.50% Decreasing to 4.00%)	Current Trend Rates (6.50% (Decreasing to 5.00%))	1% Increase (7.50% Decreasing to 6.00%)
2021			
OPEB Liability	\$ 274,765	\$ 305,914	\$ 287,147
2020			
OPEB Liability	\$ 254,720	\$ 283,602	\$ 317,539

For the year ended December 31, 2021 and 2020, WLSSD recognized OPEB expense of \$30,910 and \$22,257, respectively. At December 31, 2021, WLSSD reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority's Contributions Subsequent to the Measurement Date	\$ 17,629	\$ -
Changes in Actuarial Assumptions	2,644	1,717
Liability Gains	-	34,637
Total	<u>\$ 20,273</u>	<u>\$ 36,354</u>

\$17,629 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022.

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

Year Ending December 31,	Future Recognition
2022	\$ (10,609)
2023	(10,609)
2024	(10,602)
2025	(947)
2026	(943)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**3. Detailed Notes (Continued)**

**B. Liabilities (Continued)**

**7. Postemployment Benefits (Continued)**

Actuarial Methods and Assumptions (Continued)

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

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority's Contributions Subsequent to the Measurement Date	\$ 13,529	\$ -
Changes in Actuarial Assumptions	-	2,290
Liability Gains	-	36,351
Total	<u>\$ 13,529</u>	<u>\$ 38,641</u>

**4. Other Note Disclosures**

**A. Major Customers**

Major customers of services provided by WLSSD were as follows:

	User Service Charges		Percentage of Total User Service Charges	
	2021	2020	2021	2020
Sappi Cloquet LLC	\$ 13,850,195	\$ 12,305,970	36.0%	32.4%
City of Duluth	9,498,785	9,457,125	24.7%	24.9%
Verso Duluth Mill	383,627	2,665,631	1.0%	7.0%

**B. Construction Commitments**

As of December 31, 2021, WLSSD had the following commitments with respect to unfinished capital projects.

Project	Remaining Construction Commitment	Expected date of Completion
Knowlton Creek Forcemain	\$ 2,924,039	8/31/22
Pre-CHP	2,208,877	8/31/22
PA System Replacement	606,311	2/28/22
Wrenshall Forcemain Replacement	397,579	3/31/22
Plant Compressed Air	347,796	3/31/22
Knowlton Creek & Scanlon Grating	324,720	2/28/22
Screw Pump Phase 4	222,586	4/1/22
	<u>\$ 7,031,908</u>	



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**4. Other Note Disclosures (Continued)**

**C. Risk Management**

WLSSD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; health and dental claims, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties except for dental claims which are self-insured, workers compensation and health insurance for which WLSSD belongs to public entity risk pools. WLSSD has a \$50,000 deductible for property and a \$1,000 deductible for liability insurance coverage per covered incident. There have been no significant reductions in insurance coverage during the current year. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

WLSSD retains the risk of loss from claims related to employee dental. WLSSD has contracted with Delta Dental to administer WLSSD's dental claims. WLSSD charges a premium to each employee and contributes an employer's share based on negotiated union contracts to cover the estimated dental claims. Claims are recognized as they are paid.

	2021	2020
Unpaid Claims, Beginning of Year	\$ -	\$ -
Incurred Claims	79,799	57,993
Claim Payments	(79,799)	(57,993)
Unpaid Claims, End of Year	<u>\$ -</u>	<u>\$ -</u>

Workers compensation coverage is obtained through the League of Minnesota Cities Insurance Trust – Group Self-Insured Workers' Compensation Plan, a public entity risk pool operated by the League of Minnesota Cities to lower and stabilize its members' workers' compensation costs and to assure that its members have a source of coverage available. The League of Minnesota Cities purchases reinsurance to protect the program from catastrophic and abnormal claims. WLSSD pays an annual premium to the pool and has elected to have a deductible of \$5,000 per occurrence (for medical costs only). The deductible option under this plan allows WLSSD to obtain a premium discount of 11%. As medical costs are incurred, the claims are paid by the pool and then are billed back to WLSSD up to the amount of the deductible per occurrence.

For group health insurance, WLSSD belongs to the North East Service Cooperative (NESC), a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the NESC and are based partially on the experience of WLSSD and partially on the experience of the group. The NESC solicits proposals from carriers and negotiates the contracts.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**4. Other Note Disclosures (Continued)**

**D. Voluntary Employee Benefit Plan – Northland VEBA Trust Plan**

In 2007, WLSSD Board approved a Voluntary Employees' Beneficiary Association (VEBA) plan for funding employee health benefits for supervisors effective January 1, 2008 as authorized under Sections 501(c)(9) and 213(d) of the IRS Code. Effective January 1, 2009, all employees were eligible for participation in this plan. The VEBA plan is a health reimbursement plan providing for individual employer-funded accounts that can be used to help pay eligible medical expenses incurred by participating employees. The plan is used in combination with a high-deductible health plan. Funding is provided through pre-tax contributions from WLSSD based on employee health care elections. The VEBA plan is administered by Compensation Consultants, Ltd.

The current maximum WLSSD contribution for active participating employees is \$3,000 for those with family medical coverage with a \$3,700 deductible and \$1,350 for active participating employees for those with single medical coverage with a \$1,850 deductible. Any balance remaining in an employee's account at year-end rolls over into the subsequent year. All bargaining unit and supervisory employees participating in WLSSD's high-deductible medical insurance plan are covered by the VEBA plan.

**E. Legal Contingencies**

WLSSD may be involved in various claims and litigation. Although the outcome of any claims is not presently determinable, in the opinion of WLSSD's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of WLSSD.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
SCHEDULE OF WLSSD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DECEMBER 31, 2021**

	Measurement Date <u>June 30, 2021</u>	Measurement Date <u>June 30, 2020</u>	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
WLSSD's Proportion of the Net Pension Liability	0.1130%	0.1103%	0.1071%	0.1095%	0.1111%	0.1140%	0.1181%
WLSSD's Proportionate Share of the Net Pension Liability	\$ 4,825,606	\$ 6,612,989	\$ 5,921,319	\$ 6,074,611	\$ 7,092,551	\$ 9,256,235	\$ 6,120,555
State's Proportionate Share of the Net Pension Liability Associated with WLSSD	<u>147,300</u>	<u>203,919</u>	<u>183,992</u>	<u>199,096</u>	<u>89,175</u>	<u>120,902</u>	<u>-</u>
Total District's Proportionate Share of Net Pension Liability	\$ 4,972,906	\$ 6,816,908	\$ 6,105,311	\$ 6,273,707	\$ 7,181,726	\$ 9,377,137	\$ 6,120,555
WLSSD's Covered Payroll	\$ 7,906,190	\$ 7,875,101	\$ 7,584,501	\$ 7,354,870	\$ 7,150,592	\$ 7,061,992	\$ 6,936,710
WLSSD's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	61.04%	83.97%	78.07%	82.59%	99.19%	131.07%	88.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.10%	80.20%	79.50%	75.90%	68.81%	78.20%

Note: Information prior to 2015 is not available.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
SCHEDULE OF WLSSD CONTRIBUTIONS  
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA</b>								
Contractually Required Contribution	\$ 583,705	\$ 589,708	\$ 581,093	\$ 557,535	\$ 544,106	\$ 533,833	\$ 523,052	\$ 507,255
Contributions in Relation to the Contractually Required Contribution	<u>(583,705)</u>	<u>(589,708)</u>	<u>(581,093)</u>	<u>(557,535)</u>	<u>(544,106)</u>	<u>(533,833)</u>	<u>(523,052)</u>	<u>(507,255)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 WLSSD's Covered Payroll	 \$ 7,782,733	 \$ 7,862,773	 \$ 7,747,907	 \$ 7,433,800	 \$ 7,254,747	 \$ 7,117,773	 \$ 6,974,027	 \$ 6,996,621
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.25%

Note: Information prior to 2014 is not available.

The notes to the required supplementary information are an integral part of this statement.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
SCHEDULE OF CHANGES IN WLSSD'S OPEB  
LIABILITY, RELATED RATIOS, AND NOTES  
DECEMBER 31, 2021**

	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
<b>Total OPEB Liability</b>				
Service Cost	\$ 29,862	\$ 21,387	\$ 20,764	\$ 25,132
Interest Cost	11,657	10,532	10,774	10,852
Assumption Changes	3,173	-	(3,436)	45,777
Differences Between Expected and Actual Experience	(8,851)	-	(54,529)	-
Benefit Payments	(13,529)	(8,124)	(38,671)	(29,346)
<b>Net Change in Total OPEB Liability</b>	22,312	23,795	(65,098)	52,415
Total OPEB Liability - Beginning	283,602	259,807	324,905	272,490
<b>Total OPEB Liability - Ending</b>	<u>\$ 305,914</u>	<u>\$ 283,602</u>	<u>\$ 259,807</u>	<u>\$ 324,905</u>
 Covered-Employee Payroll	 \$ 7,447,891	 \$ 7,072,878	 \$ 6,866,872	 \$ 6,924,798
 District's OPEB Liability as a Percentage of Covered-Employee Payroll	 4%	 4%	 4%	 5%

Note 1: WLSSD implemented GASB Statement No. 75 in 2018, and the above table will be expended to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2021**

**1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumption postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.50%, beginning January 1, 2019.



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2021**

**1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

2018 (Continued)

Changes in Plan Provisions (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA load are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumption postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by .25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2021**

**1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**2. Other Postemployment Benefits**

As disclosed on the Schedule of Changes in the Total OPEB Liability, Related Ratios, and Notes, no assets have been irrevocably deposited in a trust to advance fund the employer's obligation. Therefore, the actuarial value of assets is zero.

The following changes were reflected in the valuation performed on behalf of the WLSSD's Other Postemployment Benefits plan for the year ended December 31:

2021

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The Inflation Rate was changed from 2.50% to 2.00%.
- The Retirement and withdrawal tables were updated.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.00%.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2021**

**2. Other Postemployment Benefits (Continued)**

2020

- There have been no changes since the prior valuation.

2019

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.30% to 3.80%.

2018

- The discount rate was changed from 3.50% to 3.30%.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

## **SUPPLEMENTARY SCHEDULES**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DETAILED SCHEDULE OF REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR  
YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Budget	Actual Revenue	Variance Favorable (Unfavorable)	Actual Revenue
Wastewater Treatment				
User Charges -				
Municipalities				
Duluth	\$ 9,397,598	\$ 9,498,785	\$ 101,187	\$ 9,457,125
Cloquet	1,006,748	816,609	(190,139)	866,857
Proctor	327,748	304,908	(22,840)	309,293
Hermantown	511,351	504,199	(7,152)	458,868
Scanlon	116,873	101,917	(14,956)	105,459
Thomson Township (Esko)	146,702	142,403	(4,299)	144,175
Carlton	113,973	111,976	(1,997)	121,297
Twin Lakes Township	92,756	51,637	(41,119)	42,950
Wrenshall	22,163	21,881	(282)	22,012
Thomson	9,371	7,893	(1,478)	7,989
Jay Cooke	2,759	3,093	334	4,626
North Shore	49,443	47,208	(2,235)	43,245
Knife River	20,354	17,645	(2,709)	16,021
Oliver	17,194	14,804	(2,390)	16,677
Rice Lake Township	52,159	47,630	(4,529)	47,609
MPCA Landfill	11,827	10,016	(1,811)	10,673
Midway	5,050	5,827	777	4,845
Pike Lake	77,323	69,099	(8,224)	61,114
Total Municipalities	11,981,392	11,777,530	(203,862)	11,740,835
Industries				
Sappi	11,685,656	13,850,195	2,164,539	12,305,970
USG	479,239	631,343	152,104	574,893
Verso Duluth Mill	356,304	383,627	27,323	2,665,631
Specialty Minerals	225,296	163,996	(61,300)	189,411
St Paper 1, LLC	662,375	674,263	11,888	-
Total Industries	13,408,870	15,703,424	2,294,554	15,735,905
Total Wastewater Treatment	25,390,262	27,480,954	2,090,692	27,476,740
 User Charges - Solid Waste	5,790,813	5,976,171	185,358	5,673,387
Service Fee - Solid Waste	2,600,000	2,752,929	152,929	2,587,586
 Other Revenue				
District-Wide Allocation	355,000	355,002	2	355,001
Capacity Availability Fee	250,000	542,352	292,352	528,092
Earnings on Investments	385,000	22,779	(362,221)	542,300
Operating Grants	375,598	379,230	3,632	375,602
Property Taxes	1,137,038	1,138,349	1,311	1,212,482
Capital Contributions	-	143,899	143,899	1,435,731
Gain on Sale of Capital Asset	-	1,125	1,125	-
Miscellaneous	1,026,800	1,346,532	319,732	1,345,978
Total Other Revenue	3,529,436	3,929,268	399,832	5,795,186
 Total Revenue	\$ 37,310,511	\$ 40,139,322	\$ 2,828,811	\$ 41,532,899

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DETAILED SCHEDULE OF EXPENSES COMPARED TO  
BUDGET – DEPARTMENTAL LEVEL  
YEAR ENDED DECEMBER 31, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR  
YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Budget	Actual Expenses	Variance Favorable (Unfavorable)	Actual Expenses
Clean Water Production				
Salaries & Benefits	\$ 2,022,422	\$ 1,953,406	\$ 69,016	\$ 2,069,330
Electricity	1,685,016	1,696,309	(11,293)	1,455,859
Fuels	120,104	174,197	(54,093)	145,625
Chemicals	1,455,805	1,534,058	(78,253)	1,591,535
Other Operating Expenses	434,309	417,337	16,972	322,795
Total Clean Water Production	5,717,656	5,775,307	(57,651)	5,585,144
Conveyance System				
Salaries & Benefits	539,854	547,519	(7,665)	532,113
Electricity	1,000,013	1,010,252	(10,239)	854,304
Other Operating Expenses	265,922	394,787	(128,865)	452,180
Total Conveyance System	1,805,789	1,952,558	(146,769)	1,838,597
Biosolids				
Salaries & Benefits	756,149	761,484	(5,335)	760,481
Other Operating Expenses	116,083	110,436	5,647	107,356
Total Biosolids	872,232	871,920	312	867,837
Environmental Programs Wastewater				
Salaries & Benefits	147,679	126,808	20,871	160,444
Operating Expenses	68,727	64,985	3,742	40,293
Total Environmental Programs Wastewater	216,406	191,793	24,613	200,737
Transfer Station				
Salaries & Benefits	62,077	58,555	3,522	59,688
Solid Waste Disposal	4,913,686	4,985,505	(71,819)	4,779,861
Operating Expenses	32,050	39,797	(7,747)	24,875
Total Transfer Station	5,007,813	5,083,857	(76,044)	4,864,424
Material Recovery Center				
Salaries & Benefits	515,617	490,763	24,854	486,474
Solid Waste Disposal	352,908	382,714	(29,806)	337,643
Contract Services	262,900	272,596	(9,696)	225,420
Operating Expenses	41,400	46,206	(4,806)	29,607
Total Material Recovery Center	1,172,825	1,192,279	(19,454)	1,079,144

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DETAILED SCHEDULE OF EXPENSES COMPARED TO  
BUDGET – DEPARTMENTAL LEVEL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR  
YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Budget	Actual Expenses	Variance Favorable (Unfavorable)	Actual Expenses
Organics				
Salaries & Benefits	\$ 218,859	\$ 207,251	\$ 11,608	\$ 212,125
Operating Expenses	114,000	95,524	18,476	99,036
Total Organics	332,859	302,775	30,084	311,161
Household Hazardous Waste				
Salaries & Benefits	435,647	432,466	3,181	399,433
Operating Expenses	430,900	464,075	(33,175)	516,137
Total Household Hazardous Waste	866,547	896,541	(29,994)	915,570
Environmental Programs Solid Waste				
Salaries & Benefits	407,065	379,191	27,874	419,476
Operating Expenses	409,295	345,486	63,809	326,920
Total Environmental Programs Solid Waste	816,360	724,677	91,683	746,396
Business Services				
Salaries & Benefits	1,541,126	1,576,766	(35,640)	1,640,827
Other Postemployment Benefits	-	22,312	(22,312)	23,795
Insurance	170,000	150,193	19,807	153,713
Professional Services	183,300	213,569	(30,269)	193,717
Operating Expenses	676,259	757,213	(80,954)	682,686
Total Business Services	2,570,685	2,720,053	(149,368)	2,694,738
Mechanical Maintenance				
Salaries & Benefits	1,239,722	1,154,244	85,478	1,244,693
Repairs	442,000	437,869	4,131	488,738
Contracted Services	340,000	338,600	1,400	361,149
Other Operating Expenses	101,000	95,502	5,498	74,517
Total Mechanical Maintenance	2,122,722	2,026,215	96,507	2,169,097
Electrical Maintenance				
Salaries & Benefits	1,061,119	923,993	137,126	1,054,446
Repairs	176,000	169,468	6,532	178,392
Contracted Services	65,000	40,168	24,832	127,370
Other Operating Expenses	23,400	56,461	(33,061)	51,705
Total Electrical Maintenance	1,325,519	1,190,090	135,429	1,411,913

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DETAILED SCHEDULE OF EXPENSES COMPARED TO  
BUDGET – DEPARTMENTAL LEVEL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR  
YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Budget	Actual Expenses	Variance Favorable (Unfavorable)	Actual Expenses
Planning & Engineering				
Salaries & Benefits	\$ 1,240,000	\$ 994,482	\$ 245,518	\$ 984,147
Contracted Services	2,000	300	1,700	-
Operating Expenses	21,300	33,552	(12,252)	15,590
Total Planning & Engineering	1,263,300	1,028,334	234,966	999,737
Management Information System				
Salaries & Benefits	543,796	519,458	24,338	530,406
Contracted Services	185,018	163,264	21,754	205,494
Operating Expenses	137,242	177,426	(40,184)	159,245
Total Management Information System	866,056	860,148	5,908	895,145
Lab Services				
Salaries & Benefits	675,631	631,571	44,060	721,553
Contracted Services	135,000	121,726	13,274	132,651
Operating Expenses	106,350	98,962	7,388	237,142
Total Lab Services	916,981	852,259	64,722	1,091,346
Non-Departmental				
Depreciation	8,791,061	9,747,496	(956,435)	11,252,721
Interest and Bond Amortization Expense	666,330	621,700	44,630	717,299
Other Non-Departmental	-	3,226	(3,226)	1,005
Total Non-Departmental	9,457,391	10,372,422	(915,031)	11,971,025
Total Expenses	\$ 35,331,141	\$ 36,041,228	\$ (710,087)	\$ 37,642,011



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021**

<b>Federal Grantor Pass-Through Agency Grant Program Title or Cluster Name</b>	<b>Pass-Through Identifying Numbers</b>	<b>Federal Assistance Listing Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Environmental Protection Agency</b>				
Passed Through Minnesota Department of Employment and Economic Development				
Capitalization Grants for Clean Water State Revolving Funds (Clean Water State Revolving Fund Cluster)				
Main Switchgear CHP	MPFA-CWRF-L-040-FY19	66.458	\$ 199,920	\$ -
Oxygen Supply	MPFA-CWRF-L-041-FY19	66.458	621,276	-
Secondary Clarifier Tank Rehabilitation Phase 1	MPFA-CWRF-L-029-FY20	66.458	12,282	-
Miscellaneous Interceptors Phase 2	MPFA-CWRF-L-024-FY20	66.458	863	-
Building 11 Truck Drive Thru	MPFA-CWRF-L-018-FY21	66.458	10,450	-
Screw Pump Phase 3	MPFA-CWRF-L-019-FY21	66.458	260,000	-
Hermantown Interceptor Phase 1	MPFA-CWRF-L-010-FY22	66.458	1,536,207	-
Knowlton Creek Forcemain Phase 1	MPFA-CWRF-L-011-FY22	66.458	830,922	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,471,920</b>	<b>\$ -</b>

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021**

**1. Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Western Lake Superior Sanitary District. WLSSD's reporting entity is defined in Note 1 to the financial statements.

**2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Western Lake Superior Sanitary District under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Western Lake Superior Sanitary District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Western Lake Superior Sanitary District.

**3. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. WLSSD has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Position and the Schedule of Expenditures of Federal Awards.**

Expenditures under CFDA No. 66.458 are capitalized in capital assets on the financial statements. The funding received under this program is federal grant funding shown as additions to the long-term debt payable. Other federal grants are reported as intergovernmental grants or federal contributions.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

**4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Position and the Schedule of Expenditures of Federal Awards (Continued)**

Nonoperating Revenues: Intergovernmental Grants	\$ 379,230
Less: State Portion of Intergovernmental Grants	(379,230)
	<hr/>
Federal Portion of Intergovernmental Grants	-
Capital Contributions - Federal	-
Public Facility Authority Loans	3,471,920
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 3,471,920</u>
Reconciliation of Proceeds from Notes:	
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,471,920
Current Year Expenses Not Received	(952,998)
Proceeds from Notes from Prior Year Expenses	1,258,401
	<hr/>
Total Current Year Proceeds from Notes	<u>\$ 3,777,323</u>

**STATISTICAL SECTION**  
**(Last Ten Fiscal Years)**  
**(Unaudited)**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
STATISTICAL SECTION**

This part of Western Lake Superior Sanitary District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about WLSSD's overall financial health.

**Contents**

**Financial Trends – Pages 85-89**

These schedules contain trend information to help the reader understand how WLSSD's financial performance and well-being have changed over time.

**Revenue Capacity – Pages 90-95**

These schedules contain information to help the reader assess WLSSD's revenue sources for both wastewater and solid waste generators.

**Debt Capacity – Pages 96-99**

These schedules contain information to help the reader assess the affordability of WLSSD's current levels of outstanding debt and its ability to issue additional debt in the future.

**Demographic and Economic Information – Pages 100-101**

These schedules contain demographic and economic indicators to help the reader understand the environment within which WLSSD's financial activities take place.

**Operating Information – Pages 102-104**

These schedules contain service and infrastructure data to help the reader understand how the information in WLSSD's financial report relates to the services WLSSD provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
FINANCIAL TRENDS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Primary Government										
Net Investment in Capital Assets	\$ 49,956,753	\$ 49,950,104	\$ 49,064,740	\$ 47,992,524	\$ 48,967,570	\$ 44,836,109	\$ 47,270,315	\$ 38,115,671	\$ 36,164,851	\$ 29,997,246
Restricted	27,319,007	24,850,375	22,685,349	20,429,722	19,491,242	18,940,444	16,442,502	14,820,100	12,976,368	11,540,636
Unrestricted	24,753,718	23,130,905	22,290,407	20,497,392	17,039,391	18,719,326	14,456,522	20,909,540	19,013,571	18,569,761
Total Primary Government Net Position	<u>\$ 102,029,478</u>	<u>\$ 97,931,384</u>	<u>\$ 94,040,496</u>	<u>\$ 88,919,638</u>	<u>\$ 85,498,203</u>	<u>\$ 82,495,879</u>	<u>\$ 78,169,339</u>	<u>\$ 73,845,311</u>	<u>\$ 68,154,790</u>	<u>\$ 60,107,643</u>

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
FINANCIAL TRENDS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenues	\$ 38,453,940	\$ 37,966,784	\$ 38,253,936	\$ 36,824,029	\$ 36,006,457	\$ 36,190,268	\$ 36,127,907	\$ 34,789,658	\$ 33,669,170	\$ 33,458,313
Operating Expenses	35,419,528	36,924,712	36,279,101	35,227,114	34,367,185	34,360,782	33,007,154	31,934,715	30,900,132	33,874,716
Operating Income	3,034,412	1,042,072	1,974,835	1,596,915	1,639,272	1,829,486	3,120,753	2,854,943	2,769,038	(416,403)
Total Nonoperating Revenues/(Expenses)	919,783	1,413,085	1,922,775	1,475,280	1,026,976	839,987	575,120	247,707	(355,122)	(227,784)
Income/(Loss) before Capital Contributions	3,954,195	2,455,157	3,897,610	3,072,195	2,666,248	2,669,473	3,695,873	3,102,650	2,413,916	(644,187)
Capital Contributions	143,899	1,435,731	1,223,248	349,240	336,076	1,657,067	6,613,299	2,587,871	5,633,231	3,477,791
Change in Net Position	<u>\$ 4,098,094</u>	<u>\$ 3,890,888</u>	<u>\$ 5,120,858</u>	<u>\$ 3,421,435</u>	<u>\$ 3,002,324</u>	<u>\$ 4,326,540</u>	<u>\$ 10,309,172</u>	<u>\$ 5,690,521</u>	<u>\$ 8,047,147</u>	<u>\$ 2,833,604</u>

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
FINANCIAL TRENDS  
OPERATING REVENUES BY SOURCE/USER  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
User Charges - Municipals	\$ 11,777,530	\$ 11,740,835	\$ 11,772,789	\$ 11,220,492	\$ 11,189,619	\$ 11,044,313	\$ 10,821,814	\$ 10,981,475	\$ 10,672,342	\$ 10,526,169
User Charges - Industries	15,703,424	15,735,905	16,001,484	15,565,523	15,229,129	15,659,865	15,975,134	15,614,050	15,070,681	15,038,776
User Charges - Solid Waste	5,976,171	5,673,387	5,702,297	5,585,909	5,473,131	5,307,961	5,164,712	4,835,687	4,570,310	4,545,310
Service Fee - Solid Waste	2,752,929	2,587,586	2,648,079	2,638,047	2,568,132	2,513,802	2,394,847	2,028,723	1,994,058	1,901,714
District-Wide Allocation	355,002	355,001	355,001	354,999	354,998	354,998	355,001	355,000	355,000	355,000
Capacity availability charges	542,352	528,092	714,438	471,143	362,374	424,504	603,542	373,218	319,979	390,732
Other Revenue	1,346,532	1,345,978	1,059,848	987,916	829,074	884,825	812,857	601,505	686,790	700,612
<b>TOTAL REVENUES</b>	<b>\$ 38,453,940</b>	<b>\$ 37,966,784</b>	<b>\$ 38,253,936</b>	<b>\$ 36,824,029</b>	<b>\$ 36,006,457</b>	<b>\$ 36,190,268</b>	<b>\$ 36,127,907</b>	<b>\$ 34,789,658</b>	<b>\$ 33,669,160</b>	<b>\$ 33,458,313</b>
<b>WASTEWATER TREATMENT REVENUES</b>										
City of Duluth	\$ 9,498,785	\$ 9,457,125	\$ 9,275,062	\$ 8,881,800	\$ 8,854,932	\$ 8,838,483	\$ 8,703,174	\$ 8,754,255	\$ 8,476,560	\$ 8,396,632
City of Cloquet	816,609	866,857	984,427	873,786	895,054	852,182	804,499	907,795	904,914	887,043
City of Proctor	304,908	309,293	322,799	359,284	336,941	288,120	285,693	277,814	269,237	259,764
City of Hermantown	504,199	458,868	493,274	461,668	430,969	433,729	413,498	412,713	402,416	373,241
City of Scanlon	101,917	105,459	123,707	107,780	119,565	103,064	98,257	98,905	87,576	87,721
Thomson Township (Esko)	142,403	144,175	138,209	130,222	132,220	124,094	119,472	121,268	128,901	124,192
City of Carlton	111,976	121,297	116,786	106,784	111,426	95,485	103,128	105,765	113,955	115,298
Twin Lakes Township	51,637	42,950	70,663	74,570	68,963	76,381	72,653	72,947	70,009	69,203
City of Wrenshall	21,881	22,012	23,372	16,856	23,671	19,155	18,123	21,145	19,733	20,419
City of Thomson	7,893	7,989	9,004	7,363	8,516	7,960	8,158	8,435	6,766	7,965
Jay Cooke State Park	3,093	4,626	3,549	4,098	4,177	4,411	4,031	3,916	5,389	4,514
North Shore	47,208	43,245	44,549	41,959	43,768	39,971	37,768	40,795	38,768	42,039
Knife River	17,645	16,021	15,862	15,026	15,713	15,161	16,110	16,024	15,397	13,943
Oliver	14,804	16,677	16,798	16,577	16,422	16,512	15,504	15,730	15,851	15,986
Pike Lake	69,099	61,114	67,458	60,379	60,621	56,509	54,418	57,388	57,480	51,193
Rice Lake Township	47,630	47,609	52,323	47,365	48,247	46,355	43,254	42,672	37,031	37,802
MPCA Landfill	10,016	10,673	10,349	10,381	13,964	20,050	19,027	19,446	18,307	15,703
Midway	5,827	4,845	4,598	4,594	4,450	6,691	5,047	4,462	4,052	3,511
Sappi	13,850,195	12,305,970	11,873,947	11,254,946	10,211,714	10,797,398	11,320,770	10,997,029	10,316,597	10,113,723
Georgia Pacific	-	-	-	-	-	450,031	75,303	86,763	88,655	336,611
Specialty Minerals	163,996	189,411	225,320	246,412	432,453	314,281	306,127	277,431	256,151	262,070
USG	631,343	574,893	539,897	505,893	482,540	447,148	434,128	454,045	441,514	577,912
Verso Duluth Mill	383,627	2,665,631	3,362,320	3,558,272	4,102,422	3,651,007	3,838,806	3,798,782	3,967,764	3,748,460
ST Paper 1	674,263	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 27,480,954</b>	<b>\$ 27,476,740</b>	<b>\$ 27,774,273</b>	<b>\$ 26,786,015</b>	<b>\$ 26,418,748</b>	<b>\$ 26,704,178</b>	<b>\$ 26,796,948</b>	<b>\$ 26,595,525</b>	<b>\$ 25,743,023</b>	<b>\$ 25,564,945</b>

(Unaudited)



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
FINANCIAL TRENDS  
OPERATING EXPENSES BY FUNCTION/OBJECT  
LAST TEN FISCAL YEARS**

	OPERATING EXPENSES BY FUNCTION									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Clean Water Production	\$ 5,775,307	\$ 5,585,144	\$ 5,624,787	\$ 5,390,151	\$ 6,034,230	\$ 6,024,619	\$ 6,229,601	\$ 5,824,491	\$ 6,347,783	\$ 5,688,465
Biosolids	871,920	867,837	879,653	846,200	851,294	813,721	810,664	854,261	907,350	862,810
Conveyance System	1,952,558	1,838,597	1,634,106	1,926,426	2,013,248	1,880,632	1,711,154	1,703,730	1,713,204	1,707,253
Maintenance	3,216,305	3,581,010	3,449,313	3,704,341	3,587,510	3,188,980	3,153,255	3,382,574	3,401,042	3,252,447
Environmental Programs Wastewater	191,793	200,737	260,645	270,960	260,184	266,978	258,335	-	-	-
Transfer Station	5,083,857	4,864,424	4,881,769	4,805,257	4,708,137	4,642,832	4,466,327	4,172,445	4,055,294	4,047,388
Material Recovery Center	1,192,279	1,079,144	1,105,830	1,066,107	993,432	989,395	802,163	666,854	578,113	591,997
Recycling	-	-	-	-	-	-	-	238,503	211,108	227,551
Organics	302,775	311,161	316,111	321,619	322,505	317,062	299,788	268,421	260,950	258,449
Household Hazardous Waste	896,541	915,570	799,000	862,273	845,569	806,455	794,486	699,090	545,644	581,998
Environmental Programs Solid Waste	724,677	746,396	788,127	705,837	709,284	800,364	722,763	-	-	-
Environmental Programs Grants	-	-	-	44,475	-	-	1,550	-	-	-
Business Services	2,720,053	2,694,738	2,613,191	2,557,670	2,430,872	2,539,976	2,370,284	2,286,026	2,269,301	2,169,890
Planning & Engineering	1,028,334	999,737	992,478	1,040,360	983,224	956,507	957,315	956,968	911,048	939,695
Management Information	860,148	895,145	748,936	729,184	715,643	635,171	548,925	541,466	574,900	538,013
Environmental Programs	-	-	-	-	-	-	-	820,101	754,298	786,920
Lab Services	852,259	1,091,346	939,240	884,172	885,881	1,004,712	827,145	822,281	769,775	806,422
Flood	-	-	-	-	-	-	-	-	(61,388)	799,235
Non-Departmental	9,750,722	11,253,726	11,245,915	10,072,082	9,578,370	9,483,767	9,258,381	8,292,394	8,185,002	9,956,865
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 35,419,528</b>	<b>\$ 36,924,712</b>	<b>\$ 36,279,101</b>	<b>\$ 35,227,114</b>	<b>\$ 34,919,383</b>	<b>\$ 34,351,171</b>	<b>\$ 33,212,136</b>	<b>\$ 31,529,605</b>	<b>\$ 31,423,424</b>	<b>\$ 33,215,398</b>

	OPERATING EXPENSES BY OBJECT									
Salaries & Wages	\$ 7,803,810	\$ 8,087,366	\$ 7,672,148	\$ 7,350,891	\$ 7,194,814	\$ 7,071,240	\$ 6,903,556	\$ 6,975,215	\$ 6,900,192	\$ 6,806,685
Fringe Benefits	2,954,147	3,188,270	3,387,251	2,957,164	3,488,123	3,657,383	3,175,454	2,941,901	2,944,303	2,884,596
Other Postemployment Benefits	22,312	23,795	(65,098)	52,415	8,074	19,534	21,122	18,283	21,077	12,096
Utilities	3,489,792	3,010,477	3,085,486	3,459,444	3,464,940	3,541,246	3,505,714	3,700,199	3,370,544	3,543,347
Chemicals	1,534,058	1,591,535	1,547,507	1,226,341	1,056,996	1,344,749	1,499,679	1,641,306	1,499,728	1,890,249
Repairs	773,203	904,116	752,795	1,064,553	921,948	890,618	866,524	859,868	996,630	1,016,249
Supplies	413,610	452,790	415,100	454,565	411,641	439,478	478,009	477,780	433,374	405,878
Contract Services	1,939,845	2,012,430	1,809,851	2,168,394	2,033,056	1,784,494	1,535,534	1,519,373	1,223,816	1,678,153
Solid Waste Disposal	5,376,892	5,114,330	5,076,941	5,007,245	4,912,086	4,830,222	4,638,046	4,340,380	4,219,771	4,509,460
Other	1,364,363	1,286,881	1,726,617	1,461,721	1,297,137	1,298,051	1,125,135	1,168,016	1,105,695	1,171,138
Subtotal Expenses Before Depreciation	25,672,032	25,671,990	25,408,598	25,202,733	24,788,815	24,877,015	23,748,773	23,642,321	22,715,130	23,917,851
Depreciation/Amortization	9,747,496	11,252,722	10,870,503	10,024,381	9,578,370	9,483,767	9,258,381	8,292,394	8,185,002	9,956,865
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 35,419,528</b>	<b>\$ 36,924,712</b>	<b>\$ 36,279,101</b>	<b>\$ 35,227,114</b>	<b>\$ 34,367,185</b>	<b>\$ 34,360,782</b>	<b>\$ 33,007,154</b>	<b>\$ 31,934,715</b>	<b>\$ 30,900,132</b>	<b>\$ 33,874,716</b>

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
FINANCIAL TRENDS  
NONOPERATING REVENUES AND EXPENSES  
LAST TEN FISCAL YEARS**

	2020	2020	2019	2018	2017	2016	2015	2014	2013	2012
Earnings on Investments	\$ 22,779	\$ 542,300	\$ 923,647	\$ 600,878	\$ 294,140	\$ 156,954	\$ 83,444	\$ 45,763	\$ 50,639	\$ 28,406
Gain/(Loss) on Sale of Capital Assets	1,125	-	14,352	14,130	5,181	2,550	19,863	21,782	8,185	6,111
Operating Grants	379,230	375,602	374,984	390,401	395,190	420,717	406,338	455,328	344,267	392,121
Property Taxes	1,138,349	1,212,482	1,134,952	1,130,463	1,105,907	1,100,263	1,108,655	798,705	798,391	805,338
Interest Expense (1)	(621,700)	(717,299)	(525,160)	(660,592)	(772,579)	(840,497)	(1,042,621)	(1,073,871)	(1,556,604)	(1,434,070)
Total Nonoperating Revenues/(Expenses)	<u>\$ 919,783</u>	<u>\$ 1,413,085</u>	<u>\$ 1,922,775</u>	<u>\$ 1,475,280</u>	<u>\$ 1,027,839</u>	<u>\$ 839,987</u>	<u>\$ 575,679</u>	<u>\$ 247,707</u>	<u>\$ (355,122)</u>	<u>\$ (202,094)</u>

(Unaudited)

(1) - Net of capitalized amounts

Source: Finance Department Western Lake Superior Sanitary District

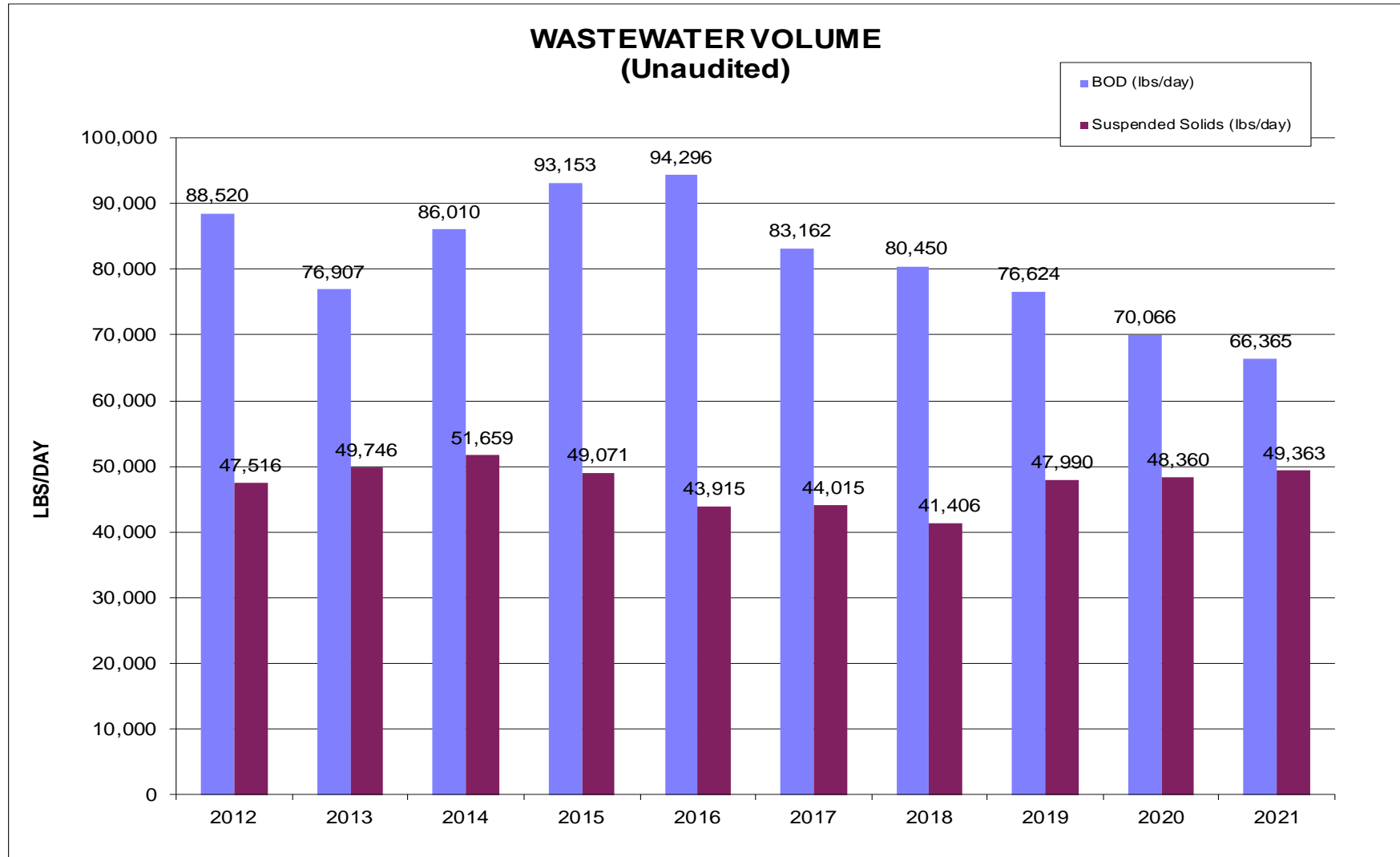
**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
REVENUE CAPACITY WASTEWATER OPERATIONS  
TOTAL WASTEWATER TREATED BY BILLING PARAMETERS  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<hr/>										
<b>MUNICIPALITIES</b>										
Flow (million gal/day)	12.69	13.83	16.78	14.21	16.83	15.88	15.19	17.12	15.17	15.18
BOD (lbs/day)	18,065	18,264	17,251	18,116	17,646	17,573	18,072	17,533	17,748	17,755
Suspended Solids (lbs/day)	23,765	23,869	22,598	21,289	21,182	22,002	22,330	22,902	22,439	22,813
<b>INDUSTRIES</b>										
Flow (million gal/day)	19.24	19.27	20.91	21.61	21.60	21.08	21.32	20.92	19.93	20.49
BOD (lbs/day)	48,300	51,802	59,373	62,334	65,516	76,723	75,081	68,477	59,159	70,765
Suspended Solids (lbs/day)	25,598	24,491	25,392	20,117	22,833	21,913	26,741	28,757	27,307	24,703
<hr/>										
<b>TOTAL WASTEWATER</b>										
Flow (million gal/day)	31.93	33.09	37.69	35.82	38.43	36.96	36.51	38.04	35.10	35.67
BOD (lbs/day)	66,365	70,066	76,624	80,450	83,162	94,296	93,153	86,010	76,907	88,520
Suspended Solids (lbs/day)	49,363	48,360	47,990	41,406	44,015	43,915	49,071	51,659	49,746	47,516

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
WASTEWATER VOLUME  
LAST TEN FISCAL YEARS**



Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
REVENUE CAPACITY WASTEWATER OPERATIONS  
OPERATIONS AND MAINTENANCE UNIT COSTS  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Flow (cost/1000gal)	\$ 0.6968	\$ 0.6232	\$ 0.5558	\$ 0.5759	\$ 0.5338	\$ 0.5472	\$ 0.5717	\$ 0.5438	\$ 0.5567	\$ 0.5564
Excess Flow (cost/1000 gal)	\$ 0.0317	\$ 0.0251	\$ 0.0265	\$ 0.0199	\$ 0.0193	\$ 0.0193	\$ 0.0243	\$ 0.0208	\$ 0.0203	\$ 0.0175
BOD (cost/lb)	\$ 0.2155	\$ 0.1987	\$ 0.1847	\$ 0.1625	\$ 0.1557	\$ 0.1432	\$ 0.1509	\$ 0.1632	\$ 0.1777	\$ 0.1501
Suspended Solids (cost/lb)	\$ 0.2903	\$ 0.2884	\$ 0.2951	\$ 0.3120	\$ 0.2930	\$ 0.3026	\$ 0.2777	\$ 0.2701	\$ 0.2664	\$ 0.2701
Domestic Equivalent (Cost/1000gal)	\$ 2.02	\$ 1.95	\$ 1.87	\$ 1.88	\$ 1.78	\$ 1.78	\$ 1.77	\$ 1.73	\$ 1.76	\$ 1.73

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

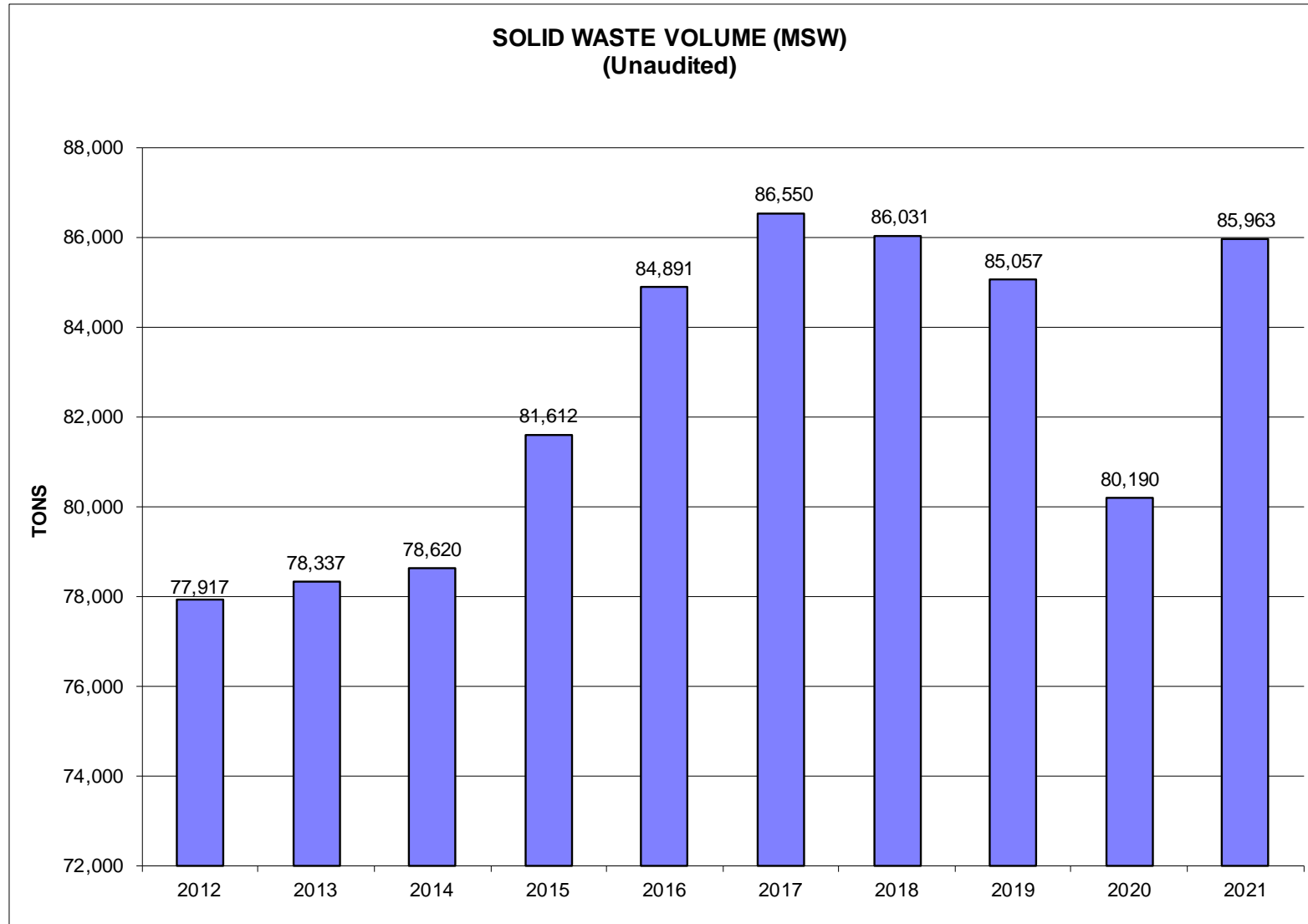
**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
REVENUE CAPACITY SOLID WASTE OPERATION  
SOLID WASTE VOLUME (MSW) AND TIPPING FEE  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b><u>VOLUME (Tons)</u></b>										
District (St. Louis County)	51,139	47,847	48,387	47,761	48,184	53,609	51,600	52,664	52,458	51,249
Carlton County	14,754	13,130	15,024	15,332	15,187	14,617	13,684	13,009	12,392	11,735
Itasca County	-	-	-	-	-	499	-	-	-	-
Lake County	6,638	6,906	7,014	6,935	7,017	6,961	6,334	5,051	5,015	5,364
Cook County	3,196	3,086	3,606	3,466	3,479	3,249	3,096	2,608	3,157	3,636
City of Superior	10,236	9,221	11,026	12,537	12,683	5,956	6,898	5,288	5,315	5,933
<b>TOTAL VOLUME</b>	<b>85,963</b>	<b>80,190</b>	<b>85,057</b>	<b>86,031</b>	<b>86,550</b>	<b>84,891</b>	<b>81,612</b>	<b>78,620</b>	<b>78,337</b>	<b>77,917</b>
<b>Tipping Fee (Per Ton)</b>										
Transfer Station	\$ 50.59	\$ 50.17	\$ 49.43	\$ 49.30	\$ 48.55	\$ 48.02	\$ 48.23	\$ 47.75	\$ 47.11	\$ 46.34

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
SOLID WASTE VOLUME (MSW)  
LAST TEN FISCAL YEARS**



Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
PRINCIPAL REVENUE PAYERS  
CURRENT YEAR AND NINE YEARS AGO**

Customer	Fiscal Year 2021		Fiscal Year 2012	
	Amount	%	Amount	%
City of Duluth	\$ 9,498,795	24.70%	\$ 8,396,632	25.10%
Sappi Cloquet LLC	13,850,195	36.02%	10,113,723	30.23%
Verso Duluth Mill	386,465	1.01%	3,748,460	11.20%
St Paper 1	674,263	1.75%		
Waste Management	<u>3,037,705</u>	7.90%	<u>1,092,095</u>	3.26%
Subtotal	27,447,423	71.38%	23,350,910	69.79%
Balance from Other Customers	<u>11,006,517</u>	28.62%	<u>10,107,403</u>	30.21%
Grand Total User Charges	<u><u>\$ 38,453,940</u></u>	100.00%	<u><u>\$ 33,458,313</u></u>	100.00%

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DEBT ACTIVITY  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

FISCAL YEAR	GENERAL OBLIGATION BONDS	TAXABLE REVENUE NOTES	UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	TOTAL DEBT	PER CAPITA	AS A SHARE OF PERSONAL INCOME
2012	\$ 32,785,000	\$ 17,194,114	\$ 68,164	\$ (61,077)	\$ 49,986,201	\$ 355	1.02%
2013	28,770,000	22,414,032	58,066	(46,142)	51,195,956	387	1.07%
2014	24,770,000	22,278,322	47,967	(33,274)	47,063,015	342	0.90%
2015	20,735,000	29,081,151	37,869	(22,574)	49,831,446	362	0.96%
2016	16,570,000	33,415,388	27,771	(14,145)	49,999,014	361	0.87%
2017	12,240,000	32,762,796	27,771	(14,145)	45,016,422	325	0.78%
2018	8,270,000	38,421,524	17,672	(7,979)	46,701,217	337	0.77%
2019	4,475,000	48,716,689	7,574	(3,791)	53,195,472	382	83.00%
2020	1,495,000	50,948,479	-	(1,463)	52,442,016	376	0.79%
2021	390,000	49,417,016	-	(327)	49,806,689	356	0.72%

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DEBT ACTIVITY  
NET TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL	
	NET TAX CAPACITY	ESTIMATED MARKET VALUE	NET TAX CAPACITY	ESTIMATED MARKET VALUE	NET TAX CAPACITY	ESTIMATED MARKET VALUE
2012	\$ 97,635,860	\$ 9,264,971,300	\$ 5,187,172	\$ 274,235,600	\$ 102,823,032	\$ 9,539,206,900
2013	100,424,810	9,384,243,720	5,552,595	292,833,500	105,977,405	9,677,077,220
2014	103,478,455	9,622,916,600	5,911,053	311,435,400	109,389,508	9,934,352,000
2015	108,497,319	9,979,669,500	6,254,074	327,931,100	114,751,393	10,307,600,600
2016	112,289,003	10,253,508,300	6,297,512	331,781,300	118,586,515	10,585,289,600
2017	119,520,494	10,872,660,000	6,704,285	351,925,250	126,224,779	11,224,585,250
2018	126,958,052	11,448,399,200	6,711,687	352,804,450	133,669,739	11,801,203,650
2019	136,084,406	12,034,542,490	6,262,163	332,379,500	142,346,569	12,366,921,990
2020	140,510,678	12,595,214,100	6,472,263	343,293,200	146,982,941	12,938,507,300
2021	147,797,856	13,212,693,800	5,439,456	299,388,500	153,237,312	13,512,082,300

Source: St. Louis County and Carlton County Auditors' Office

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DEBT ACTIVITY  
NET GENERAL BONDED DEBT RATIOS  
LAST TEN FISCAL YEARS**

	POPULATION	NET TAX CAPACITY	GROSS BONDED DEBT	DEBT SERVICE FUNDS AVAILABLE	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO NET TAX CAPACITY	NET BONDED DEBT PER CAPITA	RATIO OF NET BONDED DEBT TO ESTIMATED MARKET VALUE
2012	137,650	\$ 102,823,032	\$ 53,273,770	\$ 11,540,636	\$ 41,733,134	40.59%	\$ 303.18	0.44%
2013	137,519	105,977,405	51,184,032	12,613,621	38,570,411	36.39%	280.47	0.40%
2014	137,684	109,389,508	47,048,322	13,694,844	33,353,478	30.49%	242.25	0.34%
2015	138,245	114,751,393	49,816,151	14,409,109	35,407,042	30.86%	256.12	0.34%
2016	138,492	118,586,515	49,985,388	15,706,049	34,279,339	28.91%	247.52	0.32%
2017	138,536	126,224,779	45,016,422	16,389,100	28,627,322	22.68%	206.64	0.26%
2018	138,735	133,669,739	46,701,217	17,667,918	29,033,299	21.72%	209.27	0.25%
2019	139,302	142,346,569	53,195,472	18,502,801	34,692,671	24.37%	249.05	0.28%
2020	139,302	146,982,941	52,442,016	19,247,097	33,194,919	22.58%	238.29	0.26%
2021	139,902	153,237,312	49,806,689	20,720,001	29,086,688	18.98%	207.91	0.22%

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DEBT ACTIVITY  
PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

FISCAL YEAR	GROSS REVENUE		DIRECT OPERATING EXPENSES(1)		NET REVENUE AVAILABLE FOR DEBT SERVICE		DEBT SERVICE REQUIREMENTS			COVERAGE
							PRINCIPAL	INTEREST	TOTAL	
2012	\$	34,690,289	\$	23,917,851	\$	10,772,438	\$ 5,707,604	\$ 1,237,478	\$ 6,945,082	155%
2013		34,870,652		22,715,130		12,155,522	5,753,364	1,132,452	6,885,816	177%
2014		36,111,236		23,642,321		12,468,915	5,810,592	1,130,292	6,940,884	180%
2015		37,746,207		23,748,773		13,997,434	8,871,950	1,052,390	9,924,340	141%
2016		37,870,752		24,877,015		12,993,737	8,917,766	937,413	9,855,179	132%
2017		37,806,875		24,788,815		13,018,060	7,376,317	815,661	8,191,978	159%
2018		38,959,901		25,155,032		13,804,869	7,219,000	719,677	7,938,677	174%
2019		40,701,871		25,033,186		15,668,685	7,840,494	674,998	8,515,492	184%
2020		40,097,168		25,670,986		14,426,182	7,741,774	701,857	8,443,631	171%
2021		39,995,423		25,672,032		14,323,391	6,413,786	643,269	7,057,055	203%

(Unaudited)

(1) Depreciation and amortization expenses have been excluded.

Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC INFORMATION  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

FISCAL YEAR	POPULATION (1)	PERSONAL INCOME	PER CAPITA PERSONAL INCOME (2)	UNEMPLOYMENT RATE (3)	
				LOCAL	STATE
2012	137,650	\$ 4,988,711,300	\$ 36,242	6.50%	5.80%
2013	137,519	5,249,237,749	38,171	5.60%	4.30%
2014	137,684	5,423,510,444	39,391	4.40%	3.60%
2015	138,248	5,228,815,856	37,822	5.50%	3.70%
2016	138,492	5,750,603,316	41,523	5.60%	4.10%
2017	138,536	5,798,701,252	41,857	4.30%	3.30%
2018	138,735	6,033,862,620	43,492	3.90%	2.80%
2019	139,302	6,442,717,500	46,250	4.50%	3.30%
2020	139,302	6,638,297,508	47,654	5.70%	6.50%
2021	139,902	6,965,021,070	49,785	3.30%	2.70%

(Unaudited)

Sources: (1) Minnesota State Demographers Office  
(2) Bureau of Economic Analysis - Regional - Metropolitan Statistical Area  
(3) Minnesota Department of Employment and Economic Development

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC INFORMATION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2021			Fiscal Year 2012		
	Employees (1)	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Essentia Health (SMDC Health System)	6,513	1	4.71%	5,312	1	4.02%
St. Luke's Hospital	2,241	2	1.62%	1,591	4	1.25%
Miner's Inc.	1,990	3	1.44%			
St. Louis County	1,881	4	1.36%	1,956	2	1.52%
Duluth Public Schools	1,450	5	1.05%	1,426	5	1.11%
Allete (MN Power)	1,314	6	0.95%	1,419	6	1.11%
Duluth Air National Guard Base	1,068	7	0.77%	1,068	8	0.83%
Cirrus Aircraft	1,000	8	0.72%			
United Health Care	999	9	0.72%	1,368	7	1.06%
University of Minnesota Duluth	953	10	0.69%	1,700	3	1.32%
City of Duluth				850	10	0.66%
Totals	<u>19,409</u>		<u>14.03%</u>	<u>16,690</u>		<u>12.88%</u>

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District  
(1) Northland Connection

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
OPERATING INFORMATION  
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>WASTEWATER</b>										
Clean Water	17.45	18.10	18.31	18.14	18.57	19.74	19.69	19.12	18.04	20.14
Conveyance	4.40	4.30	4.30	4.30	4.30	4.30	4.42	4.30	4.30	4.27
Biosolids	7.47	7.09	7.05	7.08	7.08	7.08	7.10	7.28	7.71	7.85
Maintenance	-	-	-	20.99	21.10	20.33	21.03	24.01	26.18	24.12
Mechanical Maintenance	12.26	12.09	13.30	-	-	-	-	-	-	-
Electrical Maintenance	9.17	10.09	9.30	-	-	-	-	-	-	-
Environmental Programs	1.18	1.70	1.95	1.95	1.95	2.45	2.45	-	-	-
Subtotal	51.93	53.37	54.21	52.46	53.00	53.90	54.69	54.71	56.23	56.38
<b>SOLID WASTE</b>										
Transfer Station	0.50	0.50	0.44	0.50	0.50	0.50	0.50	0.40	0.40	0.40
MRC	7.86	7.43	7.76	7.07	7.17	7.50	6.44	4.99	4.39	4.01
Household Hazardous Waste	4.47	4.43	3.42	4.46	4.47	4.47	4.05	4.40	4.30	3.94
Organics	2.04	2.00	1.99	2.02	1.50	1.50	1.50	1.40	1.40	1.40
Environmental Programs	3.54	4.03	4.05	3.32	4.01	3.49	3.40	-	-	-
Recycling	-	-	-	-	-	-	-	0.40	0.40	0.40
Subtotal	18.41	18.39	17.66	17.37	17.65	17.46	15.89	11.59	10.89	10.15
<b>ADMINISTRATION</b>										
Business Services	11.10	11.48	12.35	11.71	11.43	11.67	10.33	10.44	9.83	11.40
Planning & Engineering	8.98	8.00	8.00	8.75	9.00	7.34	8.68	9.00	8.87	9.00
Environmental Programs	-	-	-	-	-	-	-	5.96	5.94	5.93
Management Information Systems	5.00	5.00	5.00	5.00	5.00	3.68	4.00	4.29	5.10	4.43
Lab	6.00	5.99	6.00	6.00	6.00	7.35	7.00	6.00	6.00	6.34
Subtotal	31.08	30.47	31.35	31.46	31.43	30.04	30.01	35.69	35.74	37.10
Total Employees	101.42	102.23	103.22	101.29	102.08	101.40	100.59	101.99	102.86	103.63

**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
OPERATING INFORMATION  
OPERATING INDICATORS – WASTEWATER OPERATIONS  
LAST TEN FISCAL YEARS**

FISCAL YEAR	FLOW MG/D	VOLUME		RATES			
		BOD LBS/DAY	TSS LBS/DAY	FLOW Cost/1000 Gal	PEAK FLOW * Cost/1000 Gal	BOD Cost/Lb	TSS Cost/Lb
2021	31.93	66,365	49,363	\$ 0.6968	\$ 0.0317	\$ 0.2155	\$ 0.2903
2020	33.09	70,066	48,360	0.6232	0.0251	0.1978	0.2884
2019	37.69	76,624	47,990	0.5558	0.0265	0.1847	0.2951
2018	35.82	80,450	41,406	0.5759	0.0199	0.1625	0.3120
2017	38.43	83,162	44,015	0.5338	0.0193	0.1557	0.2930
2016	36.96	94,296	43,915	0.5472	0.0193	0.1432	0.3026
2015	36.51	93,153	49,071	0.5717	0.0243	0.1509	0.2777
2014	38.04	86,010	51,659	0.5438	0.0208	0.1632	0.2701
2013	35.10	76,907	49,746	0.5567	0.0203	0.1777	0.2664
2012	35.67	88,520	47,516	0.5564	0.0175	0.1501	0.2701

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)



**WESTERN LAKE SUPERIOR SANITARY DISTRICT  
DULUTH, MINNESOTA  
OPERATING INFORMATION  
CAPITAL ASSET STATISTICS – WATERWATER OPERATIONS  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Wastewater										
Sanitary Sewers (miles)	74.560	74.560	74.560	74.560	74.390	74.620	74.330	74.260	74.667	74.667
Treatment Capacity (MGD)	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40
BOD Treatment Capacity (Lbs/Day)	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000