

**RACINE WATER AND WASTEWATER UTILITIES**  
Racine, Wisconsin

**FINANCIAL STATEMENTS**  
December 31, 2008 and 2007

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## Independent Auditor's Report

Board of Commissioners  
Racine Water and Wastewater Utilities  
Racine, Wisconsin

We have audited the accompanying statements of net assets, the related statements of revenues, expenses and changes in net assets, and cash flows of the Racine Water and Wastewater Utilities, Enterprise Funds of the City of Racine, Wisconsin, as of and for the years ended December 31, 2008 and 2007, which collectively comprise Racine Water and Wastewater Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Racine Water and Wastewater Utilities and do not purport to, and do not, present fairly the financial position of the City of Racine, Wisconsin, as of December 31, 2008 and 2007, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Racine Water and Wastewater Utilities as of December 31, 2008 and 2007, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2009 on our consideration of Racine Water and Wastewater Utilities' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Racine Water and Wastewater Utilities have not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The Schedule of Funding Progress on page 42 is not a required part of the basic financial statements but is information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Racine, Wisconsin  
June 18, 2009

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF NET ASSETS**  
December 31, 2008

	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 3,501,792	\$ 3,009,091	\$ 6,510,883
Investments	-	7,979,695	7,979,695
Accrued interest receivable	-	13,137	13,137
Accounts receivable, net			
Consumers	2,475,011	1,887,511	4,362,522
Other	260,595	1,031,747	1,292,342
Delinquent billings receivable - tax roll	1,430,436	1,593,785	3,024,221
Due from other funds	1,841,403	2,414,984	4,256,387
Inventories	361,259	49,731	410,990
Prepaid expenses	12,105	-	12,105
Total current assets	9,882,601	17,979,681	27,862,282
<b>RESTRICTED ASSETS</b>			
Cash and cash equivalents	2,729,810	39,208	2,769,018
Investments	9,929,532	5,930,493	15,860,025
Accrued interest receivable	47,317	28,988	76,305
Plant capacity receivable, current portion	-	2,423,775	2,423,775
Plant capacity receivable, long-term portion	-	37,636,850	37,636,850
Total restricted assets	12,706,659	46,059,314	58,765,973
<b>CAPITAL ASSETS</b>			
Utility plant in service	160,604,971	148,270,406	308,875,377
Less: accumulated depreciation	33,089,034	49,977,320	83,066,354
Net depreciated value	127,515,937	98,293,086	225,809,023
Land	3,042,397	99,950	3,142,347
Construction in progress	1,908,841	969,588	2,878,429
Total capital assets	132,467,175	99,362,624	231,829,799
<b>OTHER ASSETS</b>			
Unamortized bond issue costs	644,282	58,676	702,958
Total assets	155,700,717	163,460,295	319,161,012

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF NET ASSETS  
December 31, 2008**

	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 404,625	\$ 257,376	\$ 662,001
Due to other funds	3,693,890	1,143,328	4,837,218
Advances from other funds, current portion	30,230	27,038	57,268
Accrued compensated absences, current portion	485	820	1,305
Accrued liabilities	231,248	177,904	409,152
Total current liabilities	4,360,478	1,606,466	5,966,944
<b>CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued interest payable	743,751	353,728	1,097,479
Long term debt, current portion	4,127,194	4,540,259	8,667,453
Deferred capacity revenue, current portion	-	1,043,782	1,043,782
Total current liabilities - payable from restricted assets	4,870,945	5,937,769	10,808,714
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences, less current portion above	565,422	388,500	953,922
Other postemployment benefits	2,112,476	1,467,991	3,580,467
Advances from other funds, less current portion above	846,748	757,313	1,604,061
Long-term debt, less current portion above	62,004,052	70,071,677	132,075,729
Deferred capacity revenue, less current portion above	-	43,845,670	43,845,670
Total noncurrent liabilities	65,528,698	116,531,151	182,059,849
Total liabilities	74,760,121	124,075,386	198,835,507
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	75,570,624	27,482,392	103,053,016
Restricted	3,544,565	5,644,961	9,189,526
Unrestricted	1,825,407	6,257,556	8,082,963
Total net assets	\$ 80,940,596	\$ 39,384,909	\$ 120,325,505

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2007**

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,973,975	\$ 2,471,920	\$ 4,445,895
Investments	1,978,638	4,421,856	6,400,494
Accrued interest receivable	21,038	38,822	59,860
Accounts receivable, net			
Consumers	2,673,851	1,985,446	4,659,297
Other	364,096	1,139,815	1,503,911
Delinquent billings receivable - tax roll	1,345,997	1,438,883	2,784,880
Due from other funds	1,998,526	2,935,834	4,934,360
Inventories	253,449	48,338	301,787
Prepaid expenses	7,022	-	7,022
Total current assets	<u>10,616,592</u>	<u>14,480,914</u>	<u>25,097,506</u>
<b>RESTRICTED ASSETS</b>			
Cash and cash equivalents	4,037,476	108,849	4,146,325
Investments	13,283,668	6,668,014	19,951,682
Accrued interest receivable	141,750	77,997	219,747
Plant capacity receivable, current portion	-	3,187,848	3,187,848
Plant capacity receivable, long-term portion	-	39,182,961	39,182,961
Total restricted assets	<u>17,462,894</u>	<u>49,225,669</u>	<u>66,688,563</u>
<b>CAPITAL ASSETS</b>			
Utility plant in service	158,963,798	144,589,697	303,553,495
Less: accumulated depreciation	<u>31,239,110</u>	<u>45,560,681</u>	<u>76,799,791</u>
Net depreciated value	127,724,688	99,029,016	226,753,704
Land	3,042,397	99,950	3,142,347
Construction in progress	<u>257,860</u>	<u>3,046,610</u>	<u>3,304,470</u>
Total capital assets	<u>131,024,945</u>	<u>102,175,576</u>	<u>233,200,521</u>
<b>OTHER ASSETS</b>			
Unamortized bond issue costs	<u>707,910</u>	<u>65,443</u>	<u>773,353</u>
Total assets	<u>159,812,341</u>	<u>165,947,602</u>	<u>325,759,943</u>

The accompanying notes are an integral part of these financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF NET ASSETS**  
December 31, 2007

	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 260,929	\$ 440,558	\$ 701,487
Due to other funds	3,583,279	807,425	4,390,704
Advances from other funds, current portion	27,883	24,937	52,820
Accrued compensated absences, current portion	31,332	14,913	46,245
Accrued liabilities	305,519	159,443	464,962
Total current liabilities	4,208,942	1,447,276	5,656,218
<b>CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS</b>			
Accounts payable	605,131	-	605,131
Accrued interest payable	781,256	360,793	1,142,049
Long-term debt, current portion	3,986,954	4,486,879	8,473,833
Deferred capacity revenue, current portion	-	1,043,782	1,043,782
Total current liabilities - payable from restricted assets	5,373,341	5,891,454	11,264,795
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences, less current portion	503,334	379,373	882,707
Other postemployment benefits	1,091,897	758,776	1,850,673
Advances from other funds, less current portion	876,978	784,351	1,661,329
Long-term debt, less current portion above	65,707,317	71,253,282	136,960,599
Deferred capacity revenue, less current portion above	-	44,889,611	44,889,611
Total noncurrent liabilities	68,179,526	118,065,393	186,244,919
Total liabilities	77,761,809	125,404,123	203,165,932
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	74,416,361	29,609,530	104,025,891
Restricted	4,399,172	6,494,067	10,893,239
Unrestricted	3,234,999	4,439,882	7,674,881
Total net assets	\$ 82,050,532	\$ 40,543,479	\$ 122,594,011

The accompanying notes are an integral part of these financial statements.



**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
Year Ended December 31, 2008**

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	\$ 16,432,766	\$ 12,181,118	\$ 28,613,884
<b>OPERATING EXPENSES</b>			
Operation and maintenance expenses	9,943,209	8,341,597	18,284,806
Depreciation	3,995,876	4,455,762	8,451,638
Taxes	291,315	192,543	483,858
Total operating expenses	<u>14,230,400</u>	<u>12,989,902</u>	<u>27,220,302</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,202,366</u>	<u>(808,784)</u>	<u>1,393,582</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	431,236	345,852	777,088
Interest expense	(2,617,838)	(2,121,299)	(4,739,137)
Intergovernmental interest reimbursement	-	1,186,164	1,186,164
Plant capacity income	-	1,043,941	1,043,941
Amortization of bond issuance costs	(32,467)	(13,768)	(46,235)
Gain on disposal of fixed assets	-	1,460	1,460
Household hazardous waste revenue	-	172,484	172,484
Household hazardous waste expense	-	(65,627)	(65,627)
Miscellaneous income	-	9,034	9,034
Total nonoperating revenues (expenses)	<u>(2,219,069)</u>	<u>558,241</u>	<u>(1,660,828)</u>
Income (loss) before capital contributions and transfers	<u>(16,703)</u>	<u>(250,543)</u>	<u>(267,246)</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Capital grant	343,999	-	343,999
Residential equivalent connection fees	595,927	-	595,927
Developer donations	141,185	-	141,185
Total capital contributions	<u>1,081,111</u>	<u>-</u>	<u>1,081,111</u>
<b>TRANSFERS OUT</b>	<u>(2,174,344)</u>	<u>(908,027)</u>	<u>(3,082,371)</u>
<b>CHANGE IN NET ASSETS</b>	(1,109,936)	(1,158,570)	(2,268,506)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>82,050,532</u>	<u>40,543,479</u>	<u>122,594,011</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 80,940,596</u>	<u>\$ 39,384,909</u>	<u>\$ 120,325,505</u>

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**Year Ended December 31, 2007**

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	\$ 16,028,625	\$ 12,875,883	\$ 28,904,508
<b>OPERATING EXPENSES</b>			
Operation and maintenance expenses	10,426,907	8,053,123	18,480,030
Depreciation	3,842,588	4,385,937	8,228,525
Taxes	288,298	190,749	479,047
Total operating expenses	<u>14,557,793</u>	<u>12,629,809</u>	<u>27,187,602</u>
<b>OPERATING INCOME</b>	<u>1,470,832</u>	<u>246,074</u>	<u>1,716,906</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	986,552	671,403	1,657,955
Interest expense	(2,579,174)	(2,179,590)	(4,758,764)
Intergovernmental interest reimbursement	-	1,252,624	1,252,624
Plant capacity income	-	1,043,941	1,043,941
Amortization of bond issuance costs	(57,959)	(13,417)	(71,376)
Gain on disposal of fixed assets	-	(1,041)	(1,041)
Household hazardous waste revenue	-	169,258	169,258
Household hazardous waste expense	-	(156,576)	(156,576)
Miscellaneous income	-	7,572	7,572
Total nonoperating revenues (expenses)	<u>(1,650,581)</u>	<u>794,174</u>	<u>(856,407)</u>
Income (expense) before capital contributions and transfers	<u>(179,749)</u>	<u>1,040,248</u>	<u>860,499</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Residential equivalent connection fees	1,283,752	-	1,283,752
Developer donations	8,754,931	-	8,754,931
Total capital contributions	<u>10,038,683</u>	<u>-</u>	<u>10,038,683</u>
<b>TRANSFERS OUT</b>	<u>(2,043,020)</u>	<u>(633,602)</u>	<u>(2,676,622)</u>
<b>CHANGE IN NET ASSETS</b>	7,815,914	406,646	8,222,560
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>74,234,618</u>	<u>40,136,833</u>	<u>114,371,451</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 82,050,532</u>	<u>\$ 40,543,479</u>	<u>\$ 122,594,011</u>

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF CASH FLOWS**  
Year Ended December 31, 2008

	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers and users	\$ 16,807,791	\$ 12,753,069	\$ 29,560,860
Paid to suppliers	(5,604,753)	(3,215,214)	(8,819,967)
Paid to employees	(3,998,045)	(4,451,889)	(8,449,934)
Net cash flows provided by operating activities	7,204,993	5,085,966	12,290,959
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(2,174,344)	(908,027)	(3,082,371)
Capital grants received	343,999	-	343,999
Principal paid on non-capital debt	-	(219,947)	(219,947)
Interest paid on non-capital debt	-	(15,914)	(15,914)
Repayment of advances from other funds	(27,883)	(24,937)	(52,820)
Interest paid on advance from other funds	(47,484)	(42,468)	(89,952)
Household hazardous waste program	-	106,857	106,857
Miscellaneous receipts	-	9,034	9,034
Net cash flows used in noncapital financing activities	(1,905,712)	(1,095,402)	(3,001,114)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of utility plant	(5,479,674)	(1,642,810)	(7,122,484)
Proceeds from sale of capital assets	64,859	1,460	66,319
Proceeds from issuance of long-term debt	333,333	3,358,654	3,691,987
Principal paid on long-term debt	(3,865,197)	(4,266,932)	(8,132,129)
Interest paid on long-term debt	(2,607,859)	(2,069,982)	(4,677,841)
Proceeds from REC and other fees	595,927	-	595,927
Intergovernmental interest reimbursement	-	1,186,164	1,186,164
Proceeds from plant capacity	-	2,310,184	2,310,184
Net cash flows used in capital and related financing activities	(10,958,611)	(1,123,262)	(12,081,873)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments purchased	(30,739,689)	(32,794,215)	(63,533,904)
Investments sold and matured	36,072,463	29,973,897	66,046,360
Investment income	546,707	420,546	967,253
Net cash flows provided by (used in) investing activities	5,879,481	(2,399,772)	3,479,709

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF CASH FLOWS**  
Year Ended December 31, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ 220,151	\$ 467,530	\$ 687,681
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,011,451</u>	<u>2,580,769</u>	<u>8,592,220</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,231,602</u>	<u>\$ 3,048,299</u>	<u>\$ 9,279,901</u>

Cash and cash equivalents are presented on the statements of net assets as follows:

Unrestricted	\$ 3,501,792	\$ 3,009,091	\$ 6,510,883
Restricted	<u>2,729,810</u>	<u>39,208</u>	<u>2,769,018</u>
Total	<u>\$ 6,231,602</u>	<u>\$ 3,048,299</u>	<u>\$ 9,279,901</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income (loss)	\$ 2,202,366	\$ (808,784)	\$ 1,393,582
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Other postemployment benefits	1,020,579	709,215	1,729,794
Depreciation	3,995,876	4,455,762	8,451,638
Depreciation charged to other funds	117,894	-	117,894
Effects of changes in operating assets and liabilities:			
Accounts receivable	217,902	51,101	269,003
Inventories	(107,810)	(1,393)	(109,203)
Due from other funds	157,123	520,850	677,973
Prepaid expenses and other assets	(5,083)	(7,001)	(12,084)
Compensated absences	31,241	(4,966)	26,275
Accounts payable	(461,435)	(183,182)	(644,617)
Accrued liabilities	(74,271)	18,461	(55,810)
Due to other funds	<u>110,611</u>	<u>335,903</u>	<u>446,514</u>
Net cash flows provided by operating activities	<u>\$ 7,204,993</u>	<u>\$ 5,085,966</u>	<u>\$ 12,290,959</u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Estimated cost of Water Utility plant installed or financed by developers or customers were \$141,185.

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF CASH FLOWS**  
Year Ended December 31, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers and users	\$ 15,574,577	\$ 13,617,451	\$ 29,192,028
Paid to suppliers	(5,932,084)	(2,556,889)	(8,488,973)
Paid to employees	(3,736,367)	(4,693,751)	(8,430,118)
Net cash flows provided by operating activities	<u>5,906,126</u>	<u>6,366,811</u>	<u>12,272,937</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(2,043,020)	(633,602)	(2,676,622)
Principal paid on non-capital debt	-	(213,922)	(213,922)
Interest paid on non-capital debt	-	(15,225)	(15,225)
Repayment of advances from other funds	(25,536)	(22,838)	(48,374)
Interest paid on advance from other funds	-	(43,367)	(43,367)
Household hazardous waste program	-	12,683	12,683
Miscellaneous receipts	4,680	7,572	12,252
Net cash flows used in noncapital financing activities	<u>(2,063,876)</u>	<u>(908,699)</u>	<u>(2,972,575)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of utility plant	(5,718,183)	(3,287,712)	(9,005,895)
Sale of capital assets	99,046	31,475	130,521
Long-term debt issued	11,981,471	-	11,981,471
Principal paid on long-term debt	(3,323,834)	(4,358,598)	(7,682,432)
Interest paid on long-term debt	(2,456,849)	(2,141,377)	(4,598,226)
REC and other fees	1,283,752	-	1,283,752
Bond issuance costs paid	392,440	-	392,440
Intergovernmental interest reimbursement	-	1,043,941	1,043,941
Plant capacity	-	2,454,529	2,454,529
Net cash flows provided by (used in) capital and related financing activities	<u>2,257,843</u>	<u>(6,257,742)</u>	<u>(3,999,899)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments purchased	(38,670,753)	(27,134,141)	(65,804,894)
Investments sold and matured	34,289,006	27,852,025	62,141,031
Investment income	908,947	629,438	1,538,385
Net cash flows provided by (used in) investing activities	<u>(3,472,800)</u>	<u>1,347,322</u>	<u>(2,125,478)</u>

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2007**

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ 2,627,293	\$ 547,692	\$ 3,174,985
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,384,158</u>	<u>2,033,077</u>	<u>5,417,235</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,011,451</u>	<u>\$ 2,580,769</u>	<u>\$ 8,592,220</u>

Cash and cash equivalents are presented on the statements of net assets as follows:

Unrestricted	\$ 1,973,975	\$ 2,471,920	\$ 4,445,895
Restricted	<u>4,037,476</u>	<u>108,849</u>	<u>4,146,325</u>
Total	<u>\$ 6,011,451</u>	<u>\$ 2,580,769</u>	<u>\$ 8,592,220</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income	\$ 1,470,832	\$ 246,074	\$ 1,716,906
Adjustments to reconcile net income to net cash provided by operating activities:			
Other postemployment benefits	1,091,897	758,776	1,850,673
Depreciation	3,958,400	4,385,937	8,344,337
Depreciation charged to other funds	(115,812)	-	(115,812)
Effects of changes in operating assets and liabilities:			
Accounts receivable	(329,612)	97,786	(231,826)
Inventories	(3,588)	5,396	1,808
Due from other funds	(124,429)	643,782	519,353
Prepaid expenses and other assets	815,816	-	815,816
Compensated absences	28,616	(13,019)	15,597
Accounts payable	(1,218,806)	163,920	(1,054,886)
Accrued liabilities	97,290	(57,114)	40,176
Due to other funds	<u>235,522</u>	<u>135,273</u>	<u>370,795</u>
Net cash flows provided by operating activities	<u>\$ 5,906,126</u>	<u>\$ 6,366,811</u>	<u>\$ 12,272,937</u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Estimated cost of utility plant installed or financed by developers or customers were \$8,754,931.

The accompanying notes are an integral part of the financial statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Racine Water and Wastewater Utilities are Enterprise Funds of the City of Racine, Wisconsin. These financial statements present the financial position, results of operations, and cash flows of the City of Racine Water and Wastewater Utilities only and do not include transactions of any other City of Racine Funds.

The Wastewater Utility provides sewer service to the territory which includes the corporate limits of the City of Racine, Village of Mount Pleasant, Village of North Bay, Village of Elmwood Park, Village of Sturtevant, and Village of Caledonia. The Wastewater Utility is managed by eleven Commissioners. Rates are established through the budget process on an annual basis to recover operating expenses, debt service and replacement charges, after giving effect to prior year surpluses or deficits. The rates are billed to the municipal entities in proportion to each user's contribution to total wastewater flow and loading into the treatment system.

The Water Utility provides retail water service to the City of Racine, Villages of Elmwood Park, Mount Pleasant, North Bay and Sturtevant. Wholesale service is provided to the Village of Caledonia. The Water Utility is managed by seven Commissioners. Rates are established and approved by the Public Service Commission of Wisconsin. Retail customers are billed based on readings from individual meters. Wholesale customers are billed based on master meter readings.

The Utilities share common members of the respective Commissions. In addition, the Utilities share common management and administrative personnel and functions. The significant accounting principles and policies utilized by the Utilities are described below.

**Basis of Accounting**

The Utilities prepare their financial statements in accordance with accounting principles generally accepted in the United States of America as formulated by the Government Accounting Standards Board (GASB). The Utilities are reported as governmental enterprise funds. Enterprise funds are used to account for activities which are financed and operated in a manner similar to a private business enterprise. Accordingly, the financial statements reflect the full accrual basis of accounting whereby revenues are recognized when earned and expenses, including depreciation, are recorded when incurred.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities that Use Proprietary Fund Accounting*, the Utilities apply all applicable private-sector standards of accounting (Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions and Accounting Research Bulletins) issued on or before November 30, 1989 to the extent that they do not conflict with or contradict guidance of the Government Accounting Standards Board. The Utilities have elected not to follow the private-sector standards issued after November 30, 1989.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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.

**Cash Equivalents**

For purposes of reporting cash flows, cash equivalents include any highly liquid investments with a maturity of three months or less when acquired.

**Investments**

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair value is determined by quoted market prices. No investments are reported at amortized cost.

**Accounts Receivable**

Accounts receivable is composed of charges to customers for water and sewer services and sundry bill charges that cannot be attached to the property. The year-end balance includes unpaid charges and a year-end estimate of the receivables that will be billed in the first quarter of the subsequent year.

Customer accounts receivable are stated at amounts billed plus accrued interest. Unpaid accounts over twenty days bear interest at 1% per month. Interest continues to accrue on customer delinquent accounts until it is placed in the tax roll at which time a 10% penalty is assessed to the account. Payments to an accounts receivable are applied to specific bills identified on the customer's remittance advice or, if unspecified, to the earliest unpaid bills.

The Utilities have the right under Wisconsin Statutes to place delinquent bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

Sundry bill charges bear no interest. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of sundry bill charges that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

**Inventories**

Inventories of materials and supplies are stated at the lower of cost or market with cost determined on a first in, first out (FIFO) basis.



**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prepaid Expenses**

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

**Interfund Transactions**

Transactions between the Utilities and other funds of the City of Racine, Wisconsin, that are representative of lending/borrowing arrangements are reported as advances to/from other funds. All other balances between the Utilities and other funds of the City are reported as due to/from other funds.

**Restricted Assets**

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

**Operations**

Metered service to sewer customers is billed at rates determined by the Utility Commissioners. Metered service sales to water customers is billed at rates determined by the Public Service Commission. Most customers, with exception of industrial, are billed every three months for services rendered. Industrial customers are billed monthly. The month billed is dependent on the district in which the customer resides. All delinquent accounts receivable balances less than \$7,500 at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal collection process.

**Capital Assets**

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

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the Utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested debt proceeds over the same period.

The Wastewater Utility capital assets in service are depreciated using the straight-line method over useful lives as follows:

Interceptors	100
Lift station structures	50
Treatment equipment	14 - 27
Other structures	40
Other equipment	5 - 22

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The Water Utility capital assets in service are depreciated using composite rates developed by the Public Service Commission to the capital asset balances except for vehicles and power equipment which are depreciated on a per unit basis.

Intakes	43
Structures	23 - 40
Membrane filtration	10
Standpipes	63
Mains, services and hydrants	45 - 83
Meters	16
Equipment	7 - 37

**Long-Term Obligations**

Long-term debt and other obligations are reported as Utility liabilities. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Gains or losses on refundings are amortized over the remaining life of the old debt or the life of the new debt, which ever is shorter.

**Compensated Absences**

Vacation is recorded as expense when paid. Vacation pay is earned on a monthly basis during the calendar year and is forfeited if not taken by the end of the year. Sick leave is earned at a rate of one day per month. Unused sick pay is allowed to accumulate to 156 working days. In general, upon death, retirement or total disability, an employee is entitled to a sum equal to 50% of total such leave accumulated up to a maximum of 140 days. Accumulated sick leave earned but not taken and any salary related benefits thereon have been reported as accrued compensated absences.

**Revenues and Expenses**

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

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Transfers**

As described in Note 10, the Wastewater Utility collects revenue sharing payments. Transfers include payments made from its reserve accounts to the City of Racine, Wisconsin, with respect to the Racine Public Library, Racine Zoo and the Charles A. Wustum Museum of Fine Arts under the terms of the intergovernmental sanitary sewer service agreement.

Water Utility transfers include the payments in lieu of taxes to the municipality.

**Equity Classifications**

Equity is classified as net assets and displayed in three components.

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets - consists of net assets with constraints placed on their use by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Utilities had the following deposits and investments as of December 31, 2008.

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Petty cash	\$ 1,250	\$ -	\$ 1,250
Demand deposits	35,122	(105,049)	(69,927)
Repurchase agreements	6,195,231	3,153,348	9,348,579
U.S. Government Agency Securities	<u>9,929,531</u>	<u>13,910,188</u>	<u>23,839,719</u>
 Total cash, cash equivalents and Investments	 <u>\$ 16,161,134</u>	 <u>\$ 16,958,487</u>	 <u>\$ 33,119,621</u>
 Reconciliation to the financial statements:			
Cash and cash equivalents			
Unrestricted	\$ 3,501,792	\$ 3,009,091	\$ 6,510,883
Restricted	<u>2,729,810</u>	<u>39,208</u>	<u>2,769,018</u>
Total cash and cash equivalents	<u>6,231,602</u>	<u>3,048,299</u>	<u>9,279,901</u>
 Investments			
Unrestricted	-	7,979,695	7,979,695
Restricted	<u>9,929,532</u>	<u>5,930,493</u>	<u>15,860,025</u>
Total investments	<u>9,929,532</u>	<u>13,910,188</u>	<u>23,839,720</u>
 Total cash, cash equivalents and Investments	 <u>\$ 16,161,134</u>	 <u>\$ 16,958,487</u>	 <u>\$ 33,119,621</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

The Utilities had the following deposits and investments as of December 31, 2007.

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Petty cash	\$ 1,250	\$ -	\$ 1,250
Demand deposits	6,010,201	2,580,769	8,590,970
U.S. Government Agency Securities	<u>15,262,306</u>	<u>11,089,870</u>	<u>26,352,176</u>
 Total cash, cash equivalents and Investments	 <u>\$ 21,273,757</u>	 <u>\$ 13,670,639</u>	 <u>\$ 34,944,396</u>
 Reconciliation to the financial statements:			
Cash and cash equivalents			
Unrestricted	\$ 1,973,975	\$ 2,471,920	\$ 4,445,895
Restricted	<u>4,037,476</u>	<u>108,849</u>	<u>4,146,325</u>
Total cash and cash equivalents	<u>6,011,451</u>	<u>2,580,769</u>	<u>8,592,220</u>
Investments			
Unrestricted	1,978,638	4,421,856	6,400,494
Restricted	<u>13,283,668</u>	<u>6,668,014</u>	<u>19,951,682</u>
Total investments	<u>15,262,306</u>	<u>11,089,870</u>	<u>26,352,176</u>
 Total cash, cash equivalents and Investments	 <u>\$ 21,273,757</u>	 <u>\$ 13,670,639</u>	 <u>\$ 34,944,396</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts at December 31, 2008. Deposits were insured by the FDIC in the amount of \$100,000 for noninterest bearing and \$100,000 for interest bearing accounts at December 31, 2007. On October 18, 2008, the FDIC announced the Temporary Liquidity Guarantee Program. One element of that program provides for an unlimited guarantee by the FDIC of funds held in an insured depositor institution in non-interest-bearing transaction deposit accounts through December 31, 2009. This guarantee is over and above the \$250,000 coverage on all interest bearing deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2008, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Investment Policy**

The Utilities have not adopted a formal investment policy; however, the Utilities invest in accordance with Wisconsin State Statutes. Under state statute, investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association authorized to transact business in the State, which matures in not more than three years;
- Bonds or securities of any county, city, drainage utility, technical college district, utility, village, town or school district of the state;
- Bonds or securities issued or guaranteed by the Federal government;
- The state local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust subject to various conditions and investment options.
- Repurchase agreements with public depositories with certain conditions.

**Custodial Risk for Deposits**

Custodial risk for deposits is the risk that in the event of the failure of a depository financial institution, the Utilities will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Utilities do not have a formal policy addressing this type of deposit risk.

As of December 31, 2008 and 2007, the Water Utility's carrying value of the deposits was \$35,122 and \$6,010,201, respectively, as compared to bank balances of \$453,020 and \$6,442,392, respectively. Of the bank balances at December 31, 2008 and 2007, \$453,020 and \$100,000, respectively, was covered by federal depository insurance. The remaining balances at December 31, 2008 and 2007 were collateralized by securities held by the bank or its correspondent bank but not in the Utility's name.

As of December 31, 2008 and 2007, the Wastewater Utility's carrying value of the deposits was \$(105,049) and \$2,580,769, respectively, as compared to bank balances of \$250,000 and \$2,865,021, respectively. Of the bank balances at December 31, 2008 and 2007, \$250,000 and \$100,000, respectively, was covered by federal depository insurance. The remaining balances at December 31, 2008 and 2007 were collateralized by securities held by the bank or its correspondent bank but not in the Utility's name.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Custodial Risk for Investments**

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Utilities will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utilities do not have a formal policy addressing this type of investment risk.

As of December 31, 2008 and 2007, the Water Utility's carrying value of the U.S. Government Agency Securities were \$9,929,531 and \$15,262,306, respectively. In addition, the Water Utility's \$6,195,231 investment in a repurchase agreement at December 31, 2008 represents securities sold to the Utility on December 31, 2008 and repurchased by the bank on January 2, 2009. These securities are held by the counterparty, not in the name of the Water Utility. The Water Utility's investment policy does not limit the amount of securities held by counterparties.

As of December 31, 2008 and 2007, the Wastewater Utility's carrying value of the U.S. Government Agency Securities were \$13,910,188 and \$11,089,870, respectively. Of the Wastewater Utility's \$3,153,348 investment in a repurchase at December 31, 2008 represents securities sold to the Utility on December 31, 2008 and repurchased by the bank on January 2, 2009. The Wastewater Utility's investment policy does not limit the amount of securities held by counterparties.

**Credit Risk**

Credit risk is the risk that, an issuer or other counterparty to an investment will not fulfill its obligations to the Utilities. The Utilities do not have a formal policy addressing this type of investment risk.

As of December 31, 2008 and 2007, the Water Utility had \$9,929,531 and \$15,262,306, respectively, invested in U.S. government agency obligations. These types of investments are explicitly guaranteed by the U.S. government and are not considered subjected to credit risk.

As of December 31, 2008 and 2007, the Wastewater Utility had \$13,910,188 and \$11,089,870, respectively, invested in U.S. government agency obligations. These types of investments are explicitly guaranteed by the U.S. government and are not considered subjected to credit risk.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Credit Risk (CONTINUED)**

As of December 31, 2008 the Utilities are exposed to credit risk with investments in the following as part of their repurchase agreements:

Investment Type	Fair Value	Moody's Rating	Standard & Poor's Rating	Fitch Ratings
Repurchase agreements:				
FNMA 257163	\$ 248,157	Unrated	Unrated	Unrated
FHLMC C91167	819,000	Unrated	Unrated	Unrated
FNMA 2003-37 PD	1,016,800	Unrated	Unrated	Unrated
FHLMC 614 JB	1,404,620	Unrated	Unrated	Unrated
FNMA 2005-110 GK	17,520	Unrated	Unrated	Unrated
FHLMC 2677 KH	739,400	Unrated	Unrated	Unrated
FHLMC 2783 PD	743,430	Unrated	Unrated	Unrated
FHLMC 2861 WD	1,014,900	Unrated	Unrated	Unrated
FHLMC 2929 PE	939,858	Unrated	Unrated	Unrated
FHLMC 3234 MB	979,000	Unrated	Unrated	Unrated
FHLMC 2564 OU	835,200	Unrated	Unrated	Unrated
RFMSI 2005-SI 2A1	85,590	BAA1	Unrated	Unrated
WAMMS 2003-MS3 2A5	243,877	Unrated	AAA	Unrated
CWHL 2002-38 A2	115,499	AAA	AAA	AAA
CWHL 2002-39 A17	148,060	AAA	AAA	AAA
Total fair value of investments subject to credit risk	<u>\$ 9,350,911</u>			

**Concentration of Credit Risk**

Concentration of credit risk refers to risk of loss attributed to the investment in a single issuer. The Utilities do not have a formal policy addressing this type of investment risk. As of December 31, 2008 and 2007, there were no Utility investments exposed to concentration of credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. The Utilities do not have a formal policy addressing this type of investment risk.

As of December 31, 2008 and 2007, the Utilities had the following investments and maturities.

<b>2008</b>		
<b>Type of Investment</b>	<b>Fair Value</b>	<b>Average Maturities</b>
U.S. Government agency securities	\$ 23,839,719	180 days
Repurchase agreements	9,348,579	Overnight
<b>2007</b>		
<b>Type of Investment</b>	<b>Fair Value</b>	<b>Average Maturities</b>
U.S. Government agency securities	\$ 26,352,176	180 days



**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 3 - RESTRICTED ASSETS**

Certain proceeds of the Utilities' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. In addition, certain funds have been set aside for equipment replacement or capital improvement in accordance with the bond resolutions or City resolutions. The following accounts are reported as restricted assets:

Bond redemption fund - Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve fund - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Depreciation fund - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Replacement fund - As a condition of receiving state and federal funds for wastewater plant construction, the Wastewater Utility has established an account for replacement of certain mechanical equipment.

Impact fund - Residential equivalent connections and other fees - Used to report resources set aside to fund future projects designed to serve future growth of the Water Utility.

Improvement fund - Used to report funds set aside for capital improvements.

In addition to the above funds, plant capacity receivables have been reported as restricted assets.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 3 - RESTRICTED ASSETS (CONTINUED)**

The Utilities had the following deposits and investments as of December 31, 2008.

	Water Utility	Wastewater Utility	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash, cash equivalents, and investments			
Bond redemption	\$ 2,591,328	\$ 3,004,454	\$ 5,595,782
Reserve fund	4,658,695	-	4,658,695
Depreciation fund	798,913	-	798,913
Replacement fund	-	2,965,247	2,965,247
Impact fund	857,778	-	857,778
Improvement fund	3,752,628	-	3,752,628
	<u>12,659,342</u>	<u>5,969,701</u>	<u>18,629,043</u>
Accrued interest receivable			
Bond redemption	13,110	14,494	27,604
Reserve fund	27,187	-	27,187
Depreciation fund	-	-	-
Replacement fund	-	14,494	14,494
Impact fund	-	-	-
Improvement fund	7,020	-	7,020
	<u>47,317</u>	<u>28,988</u>	<u>76,305</u>
Plant capacity receivable	<u>-</u>	<u>40,060,625</u>	<u>40,060,625</u>
Total restricted assets	12,706,659	46,059,314	58,765,973
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(40,060,625)	(40,060,625)
Accrued interest payable	(743,751)	(353,728)	(1,097,479)
Unexpended debt proceeds and related interest	(3,759,648)	-	(3,759,648)
Bond reserve fund financed by bond proceeds	(4,658,695)	-	(4,658,695)
Restricted net assets	<u>\$ 3,544,565</u>	<u>\$ 5,644,961</u>	<u>\$ 9,189,526</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 3 - RESTRICTED ASSETS (CONTINUED)**

The Utilities had the following deposits and investments as of December 31, 2007.

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Cash, cash equivalents, and investments			
Bond redemption	\$ 3,023,083	\$ 2,659,910	\$ 5,682,993
Reserve fund	4,594,067	216,827	4,810,894
Depreciation fund	784,554	963,397	1,747,951
Replacement fund	-	2,936,729	2,936,729
Impact fund	1,282,353	-	1,282,353
Improvement fund	7,637,087	-	7,637,087
	<u>17,321,144</u>	<u>6,776,863</u>	<u>24,098,007</u>
Accrued interest receivable			
Bond redemption	23,156	20,171	43,327
Reserve fund	66,933	5,655	72,588
Depreciation fund	349	25,127	25,476
Replacement fund	-	27,044	27,044
Impact fund	-	-	-
Improvement fund	51,312	-	51,312
	<u>141,750</u>	<u>77,997</u>	<u>219,747</u>
Plant capacity receivable	<u>-</u>	<u>42,370,809</u>	<u>42,370,809</u>
Total restricted assets	17,462,894	49,225,669	66,688,563
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(42,370,809)	(42,370,809)
Accrued interest payable	(781,256)	(360,793)	(1,142,049)
Unexpended debt proceeds and related interest	(7,688,399)	-	(7,688,399)
Bond redemption fund financed by bond proceeds	(4,594,067)	-	(4,594,067)
Restricted net assets	<u>\$ 4,399,172</u>	<u>\$ 6,494,067</u>	<u>\$ 10,893,239</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the Utilities for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Utility</b>				
Capital assets not being depreciated				
Land	\$ 3,042,397	\$ -	\$ -	\$ 3,042,397
Construction in progress	257,860	9,036,363	7,385,382	1,908,841
Total capital assets not being depreciated	<u>3,300,257</u>	<u>9,036,363</u>	<u>7,385,382</u>	<u>4,951,238</u>
Capital assets being depreciated				
Buildings and system	38,974,364	345,599	323,366	38,996,597
Improvements other than buildings	87,098,629	3,111,952	120,643	90,089,938
Machinery and equipment	32,890,805	512,327	1,884,696	31,518,436
Total capital assets being depreciated	<u>158,963,798</u>	<u>3,969,878</u>	<u>2,328,705</u>	<u>160,604,971</u>
Accumulated depreciation				
Buildings and system	6,139,475	1,005,003	323,366	6,821,112
Improvements other than buildings	12,357,237	1,440,769	103,277	13,694,729
Machinery and equipment	12,742,398	1,667,998	1,837,203	12,573,193
Total accumulated depreciation	<u>31,239,110</u>	<u>4,113,770</u>	<u>2,263,846</u>	<u>33,089,034</u>
Total capital assets being depreciated, net	<u>127,724,688</u>	<u>(143,892)</u>	<u>64,859</u>	<u>127,515,937</u>
Total capital assets	<u>131,024,945</u>	<u>8,892,471</u>	<u>7,450,241</u>	<u>132,467,175</u>
<b>Wastewater Utility</b>				
Capital assets not being depreciated				
Land	99,950	-	-	99,950
Construction in progress	3,046,610	2,253,210	4,330,232	969,588
Total capital assets not being depreciated	<u>3,146,560</u>	<u>2,253,210</u>	<u>4,330,232</u>	<u>1,069,538</u>
Capital assets being depreciated				
Buildings and system	75,491,541	3,368,053	-	78,859,594
Improvements other than buildings	22,231,669	-	-	22,231,669
Machinery and equipment	46,866,487	351,778	39,122	47,179,143
Total capital assets being depreciated	<u>144,589,697</u>	<u>3,719,831</u>	<u>39,122</u>	<u>148,270,406</u>
Accumulated depreciation				
Buildings and system	21,962,260	1,862,100	-	23,824,360
Improvements other than buildings	10,352,023	169,340	-	10,521,363
Machinery and equipment	13,246,398	2,424,321	39,122	15,631,597
Total accumulated depreciation	<u>45,560,681</u>	<u>4,455,761</u>	<u>39,122</u>	<u>49,977,320</u>
Total capital assets being depreciated, net	<u>99,029,016</u>	<u>(735,930)</u>	<u>-</u>	<u>98,293,086</u>
Total capital assets	<u>102,175,576</u>	<u>1,517,280</u>	<u>4,330,232</u>	<u>99,362,624</u>
	<u>\$ 233,200,521</u>	<u>\$ 10,409,751</u>	<u>\$ 11,780,473</u>	<u>\$ 231,829,799</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the Utilities for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Utility</b>				
Capital assets not being depreciated				
Land	\$ 2,973,172	\$ 69,225	\$ -	\$ 3,042,397
Construction in progress	182,355	8,604,864	8,529,359	257,860
Total capital assets not being depreciated	<u>3,155,527</u>	<u>8,674,089</u>	<u>8,529,359</u>	<u>3,300,257</u>
Capital assets being depreciated				
Buildings and system	38,624,235	393,706	43,577	38,974,364
Improvements other than buildings	74,055,747	13,206,522	163,640	87,098,629
Machinery and equipment	32,339,041	843,968	292,204	32,890,805
Total capital assets being depreciated	<u>145,019,023</u>	<u>14,444,196</u>	<u>499,421</u>	<u>158,963,798</u>
Accumulated depreciation				
Buildings and system	5,638,694	544,358	43,577	6,139,475
Improvements other than buildings	11,210,436	1,310,441	163,640	12,357,237
Machinery and equipment	10,831,955	2,202,647	292,204	12,742,398
Total accumulated depreciation	<u>27,681,085</u>	<u>4,057,446</u>	<u>499,421</u>	<u>31,239,110</u>
Total capital assets being depreciated, net	<u>117,337,938</u>	<u>10,386,750</u>	<u>-</u>	<u>127,724,688</u>
Total capital assets	<u>120,493,465</u>	<u>19,060,839</u>	<u>8,529,359</u>	<u>131,024,945</u>
<b>Wastewater Utility</b>				
Capital assets not being depreciated				
Land	99,950	-	-	99,950
Construction in progress	144,448	3,281,836	379,674	3,046,610
Total capital assets not being depreciated	<u>244,398</u>	<u>3,281,836</u>	<u>379,674</u>	<u>3,146,560</u>
Capital assets being depreciated				
Buildings and system	75,408,383	108,328	25,170	75,491,541
Improvements other than buildings	22,231,669	-	-	22,231,669
Machinery and equipment	47,020,051	277,222	430,786	46,866,487
Total capital assets being depreciated	<u>144,660,103</u>	<u>385,550</u>	<u>455,956</u>	<u>144,589,697</u>
Accumulated depreciation				
Buildings and system	20,154,744	1,825,774	18,258	21,962,260
Improvements other than buildings	10,183,183	168,840	-	10,352,023
Machinery and equipment	11,260,257	2,391,323	405,182	13,246,398
Total accumulated depreciation	<u>41,598,184</u>	<u>4,385,937</u>	<u>423,440</u>	<u>45,560,681</u>
Total capital assets being depreciated, net	<u>103,061,919</u>	<u>(4,000,387)</u>	<u>32,516</u>	<u>99,029,016</u>
Total capital assets	<u>103,306,317</u>	<u>(718,551)</u>	<u>412,190</u>	<u>102,175,576</u>
	<u>\$ 223,799,782</u>	<u>\$ 18,342,288</u>	<u>\$ 8,941,549</u>	<u>\$ 233,200,521</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 5 - LONG-TERM LIABILITIES**

Long-term debt activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Water Utility</b>					
Long-term Debt					
Revenue bonds	\$ 46,075,000	\$ -	\$ 2,505,000	\$ 43,570,000	\$ 2,615,000
Safe Drinking Water Fund Loans	22,764,738	333,333	1,360,197	21,737,874	1,394,060
	68,839,738	333,333	3,865,197	65,307,874	4,009,060
Deferred amounts					
Discounts or premiums	1,291,501	-	72,884	1,218,618	72,885
Refunding gains or losses	(436,968)	-	(41,723)	(395,246)	45,249
Total long-term debt	69,694,271	333,333	3,896,358	66,131,246	4,127,194
Advances from other funds	904,860	-	27,882	876,978	30,230
Other postemployment benefits	1,091,897	1,601,866	581,287	2,112,476	-
Compensated absences	534,666	31,241	-	565,907	485
Total long-term liabilities	<u>\$ 72,225,694</u>	<u>\$ 1,966,440</u>	<u>\$ 4,505,527</u>	<u>\$ 69,686,607</u>	<u>\$ 4,157,909</u>
<b>Wastewater Utility</b>					
Long-term Debt					
Revenue bonds	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ -
Clean Water Fund Loans	75,530,161	3,358,654	4,276,879	74,611,936	4,540,259
	75,740,161	3,358,654	4,486,879	74,611,936	4,540,259
Advances from other funds	809,288	-	24,937	784,351	27,038
Other postemployment benefits	758,776	1,113,161	403,946	1,467,991	-
Compensated absences	394,286	31,057	36,023	389,320	820
Total long-term liabilities	<u>\$ 77,702,511</u>	<u>\$ 4,502,872</u>	<u>\$ 4,951,785</u>	<u>\$ 77,253,598</u>	<u>\$ 4,568,117</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

Long-term debt activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Water Utility</b>					
Long-term Debt					
Revenue bonds	\$ 36,615,000	\$ 18,980,000	\$ 9,520,000	\$ 46,075,000	\$ 2,505,000
Safe Drinking Water Fund Loans	23,466,960	581,612	1,283,834	22,764,738	1,344,040
	60,081,960	19,561,612	10,803,834	68,839,738	3,849,040
Deferred amounts					
Discounts or premiums	753,470	604,703	66,672	1,291,501	72,885
Refunding gains or losses	(169,489)	(374,712)	(107,233)	(436,968)	65,029
Total long-term debt	60,665,941	19,791,603	10,763,273	69,694,271	3,986,954
Advances from other funds	930,396	-	25,536	904,860	27,883
Other postemployment benefits	-	1,091,897	-	1,091,897	-
Compensated absences	506,050	28,616	-	534,666	31,332
Total long-term liabilities	<u>\$ 62,102,387</u>	<u>\$ 20,912,116</u>	<u>\$ 10,788,809</u>	<u>\$ 72,225,694</u>	<u>\$ 4,046,169</u>
<b>Wastewater Utility</b>					
Long-term Debt					
Revenue bonds	\$ 625,000	\$ -	\$ 415,000	\$ 210,000	\$ 210,000
Safe Drinking Water Fund Loans	-	-	-	-	-
Clean Water Fund Loans	79,687,681	-	4,157,520	75,530,161	4,276,879
Total long-term debt	80,312,681	-	4,572,520	75,740,161	4,486,879
Advances from other funds	832,126	-	22,838	809,288	24,937
Other postemployment benefits	-	758,776	-	758,776	-
Compensated absences	407,305	36,502	49,521	394,286	14,913
Total long-term liabilities	<u>\$ 81,552,112</u>	<u>\$ 795,278</u>	<u>\$ 4,644,879</u>	<u>\$ 77,702,511</u>	<u>\$ 4,526,729</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

The following issues are outstanding as of December 31, 2008 and 2007:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2008	Balance 12/31/2007
<b>Water Utility</b>						
Mortgage Revenue Refunding Bonds	4/15/2001	9/1/2015	4.00 - 5.375%	6,235,000	3,760,000	4,485,000
Mortgage Revenue Bonds	10/1/2001	9/1/2011	4.00 - 4.5%	11,460,000	1,640,000	2,140,000
Safe Drinking Water Loan	2/10/1999	5/1/2018	2.640%	12,594,655	7,129,234	7,745,242
Mortgage Revenue Bonds	11/1/2004	9/1/2024	2.50 - 5.00%	22,140,000	19,645,000	20,500,000
Safe Drinking Water Loan	12/22/2004	5/1/2024	2.365%	16,666,035	14,608,640	15,019,496
Mortgage Revenue Bonds	4/2/2007	9/1/2021	4.00 - 4.75%	18,980,000	<u>18,525,000</u>	<u>18,950,000</u>
Total Water Utility					<u>\$ 65,307,874</u>	<u>\$ 68,839,738</u>
<b>Wastewater Utility</b>						
Clean Water Fund loans	11/1/1994	5/1/2013	3.190%	\$ 2,701,745	\$ 873,670	\$ 1,032,538
Clean Water Fund loans	3/26/1997	5/1/2016	2.998%	1,158,993	567,937	629,951
Clean Water Fund loans	5/27/1998	5/1/2018	2.640%	854,147	482,403	524,085
Clean Water Fund loans	10/29/1999	5/1/2019	2.640%	797,249	493,570	531,816
Clean Water Fund loans	9/27/2000	5/1/2020	2.970%	805,113	538,143	575,031
Clean Water Fund loans	4/10/2002	5/1/2021	2.750%	4,073,012	3,024,445	3,215,868
Clean Water Fund loans	12/22/2004	5/1/2021	2.860%	17,943,748	14,296,818	15,118,039
Clean Water Fund loans	11/27/2002	5/1/2022	2.867%	60,724,848	50,976,296	53,902,833
Clean Water Fund loans	1/23/2008	5/1/2027	2.480%	3,481,931	3,358,654	-
Refunding Revenue Bonds	11/5/2004	12/15/2008	2.5-3.0%	1,420,000	-	210,000
Total Wastewater Utility					<u>\$ 74,611,936</u>	<u>\$ 75,740,161</u>

The debt service requirements for all debt outstanding as of December 31, 2008 is as follows:

Year	Water Utility			Wastewater Utility		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 4,009,060	\$ 2,480,751	\$ 6,489,811	\$ 4,540,259	\$ 2,057,947	\$ 6,598,206
2010	3,813,768	2,345,882	6,159,650	4,670,054	1,927,074	6,597,128
2011	3,929,343	2,212,642	6,141,985	4,803,564	1,791,353	6,594,917
2012	4,075,807	2,071,924	6,147,731	4,940,896	1,652,055	6,592,951
2013	4,213,181	1,924,208	6,137,389	5,082,159	1,508,770	6,590,929
2014-2018	21,575,022	7,268,506	28,843,528	26,488,981	5,331,187	31,820,168
2019-2023	18,459,992	3,237,467	21,697,459	23,243,889	1,445,899	24,689,788
2024-2027	<u>5,231,701</u>	<u>328,153</u>	<u>5,559,854</u>	<u>842,134</u>	<u>42,323</u>	<u>884,457</u>
Total	<u>\$ 65,307,874</u>	<u>\$ 21,869,533</u>	<u>\$ 87,177,407</u>	<u>\$ 74,611,936</u>	<u>\$ 15,756,608</u>	<u>\$ 90,368,544</u>



**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Utilities believes they are in compliance with all significant limitations, restrictions, including federal arbitrage regulations.

On April 2, 2007, the Water Utility issued \$18.98 million of Waterworks System Mortgage Revenue Bonds with an average interest rate of 4.48%. A portion of the bonds, \$7.695 million, was issued to advance refund \$7.48 million of outstanding 2001 Waterworks System Mortgage Revenue Bonds with an average interest rate of 5.09%. The net proceeds of \$7.835 million (after payment of underwriting fees and other issuance costs) were used to purchase U.S. Government securities which have been placed in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. As a result, the 2001 bonds are considered defeased and the liability for those bonds has been removed from the Utility financial statements.

Although the advance refunding resulted in the recognition of an accounting loss of \$374,712 for the year ended December 31, 2007, the Utility reduced its total debt service over the next 15 years by \$274,073 and obtained an economic gain (the difference between the present values of the debt service payments on the old debt and the new debt) of \$208,311.

**NOTE 6 - NET ASSETS**

Net assets for the year ended December 31, 2008 are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Invested in capital assets net of related debt		
Capital assets, net of accumulated depreciation	\$ 132,467,175	\$ 99,362,624
Capital related long-term debt outstanding	<u>(56,896,551)</u>	<u>(71,880,232)</u>
	<u>75,570,624</u>	<u>27,482,392</u>
Restricted		
Debt service	1,887,874	2,665,220
Depreciation fund	798,913	-
DNR equipment replacement fund	-	2,979,741
Impact fund	<u>857,778</u>	<u>-</u>
	<u>3,544,565</u>	<u>5,644,961</u>
Unrestricted	<u>1,852,417</u>	<u>6,257,556</u>
Total Net Assets	<u>\$ 80,967,606</u>	<u>\$ 39,384,909</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 6 - NET ASSETS (CONTINUED)**

Net assets for the year ended December 31, 2007 are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Invested in capital assets net of related debt		
Capital assets, net of accumulated depreciation	\$ 131,024,945	\$ 102,175,576
Capital related long-term debt outstanding	<u>(56,608,584)</u>	<u>(72,566,046)</u>
	<u>74,416,361</u>	<u>29,609,530</u>
Restricted		
Debt service	2,331,916	2,541,769
Depreciation fund	784,903	988,524
DNR equipment replacement fund	-	2,963,774
Impact fund	<u>1,282,353</u>	<u>-</u>
	<u>4,399,172</u>	<u>6,494,067</u>
Unrestricted	<u>3,234,999</u>	<u>4,439,882</u>
Total Net Assets	<u>\$ 82,050,532</u>	<u>\$ 40,543,479</u>

Excluded from invested in capital assets, net of related debt, is \$2,728,377 and \$2,951,633 of revenue bonds that relates to financing of special projects that the Wastewater Utility performs for the City of Racine, Wisconsin, for 2008 and 2007, respectively. These amounts are not used to finance Utility purchases of capital assets. Also excluded are reserve fund assets which were borrowed of \$0 and \$222,481, respectively.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM**

The Utilities participate in the Wisconsin Retirement System (WRS) as part of the City of Racine, Wisconsin. Wastewater Utility contributions were \$275,395 and \$259,944 for 2008 and 2007, respectively. Water Utility contributions were \$374,298 and \$369,893 for 2008 and 2007, respectively. Information regarding the plan can be found in the City of Racine, Wisconsin, financial statements for the years ended December 31, 2008 and 2007. Information related solely to the Utilities is not available.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 8 - INTERFUND RECEIVABLES/PAYABLES**

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2008 as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Due from City of Racine	\$ 1,243,172	\$ 1,031,033
Due from Wastewater Utility	598,231	-
Due from Water Utility	-	1,383,951
	<u>1,841,403</u>	<u>2,414,984</u>
Delinquent billings receivable - taxroll	<u>1,212,829</u>	<u>1,591,551</u>
 Total due from other funds	 <u>\$ 3,054,232</u>	 <u>\$ 4,006,535</u>
 Due to City of Racine	 \$ 2,309,939	 \$ 545,097
Due to Wastewater Utility	1,383,951	-
Due to Water Utility	-	598,231
	<u>-</u>	<u>598,231</u>
 Total due to other funds	 <u>\$ 3,693,890</u>	 <u>\$ 1,143,328</u>

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2007 as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Due from City of Racine	\$ 1,293,282	\$ 1,392,243
Due from Wastewater Utility	705,244	-
Due from Water Utility	-	1,543,591
	<u>1,998,526</u>	<u>2,935,834</u>
Delinquent billings receivable - taxroll	<u>1,165,350</u>	<u>1,434,816</u>
 Total due from other funds	 <u>\$ 3,163,876</u>	 <u>\$ 4,370,650</u>
 Due to City of Racine	 \$ 2,039,688	 \$ 102,181
Due to Wastewater Utility	1,543,591	-
Due to Water Utility	-	705,244
	<u>-</u>	<u>705,244</u>
 Total due to other funds	 <u>\$ 3,583,279</u>	 <u>\$ 807,425</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 8 - INTERFUND RECEIVABLES/PAYABLES (CONTINUED)**

In addition to the above amounts, the Utilities have recorded an advance from the City of Racine, Wisconsin, related to the financing of a pension liability. The following repayment schedule has been established for advances made to the Utilities for their percentage of the pension liability.

	<u>Water Utility</u>	<u>Wastewater Utility</u>
2009	\$ 76,552	\$ 68,466
2010	78,053	69,809
2011	79,256	70,885
2012	80,885	72,342
2013	82,338	73,641
2014 - 2018	434,835	388,908
2019 - 2023	<u>478,932</u>	<u>428,347</u>
	1,310,851	1,172,398
Less amount representing interest	<u>433,873</u>	<u>388,047</u>
	876,978	784,351
Current portion	<u>30,230</u>	<u>27,038</u>
Long-term portion	<u>\$ 846,748</u>	<u>\$ 757,313</u>

**NOTE 9 - RISK MANAGEMENT**

The Utilities are exposed to various risks of losses including general liability, property and casualty, workers' compensation, and employee health and accident. The Utilities are involved in an intergovernmental insurance commission for general liability and auto insurance. There is a \$175,000 self-insured retention for each occurrence with this agreement. The Utilities purchase commercial insurance for property and casualty claims.

The Utilities participate in the City of Racine, Wisconsin, self-insurance plan for employee health insurance benefits. The plan is responsible for a specified amount of covered claims. Claims in excess of that amount are covered by purchased insurance. At December 31, 2008 and 2007, the Wastewater Utility has accrued a liability of \$ 47,367 and \$ 54,000, respectively, to cover future claims. At December 31, 2008 and 2007, the Water Utility has accrued a liability of \$51,935 and \$164,000, respectively, to cover future claims.

In the ordinary course of conducting business, the Utilities occasionally become involved in legal proceedings relating to contracts, environmental issues, or other matters. While any proceedings or litigation has an element of uncertainty, management of the Utilities believe that the outcome of any pending or threatened actions will not have a material adverse effect on the business or financial condition of the Utilities.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 10 - INTERGOVERNMENTAL SANITARY SEWER SERVICE AGREEMENT**

The Wastewater Utility entered into an intergovernmental sanitary sewer service agreement with the surrounding local municipalities. The agreement was reached to provide for an equitable allocation of the cost of the expansion of the existing sewer service facilities, which were necessary to continue providing high quality, reliable sewer service, and allow for future growth needs. The agreement allocates treatment capacity to each of the participating municipalities based on their future estimated usage. In return for such treatment capacity allocations each participating municipality is required to pay the Wastewater Utility its proportionate share of the capital cost of improvements.

The municipalities agreed to participate in a loan from the Clean Water Fund to pay for their share of the capital costs. As such, the agreement calls for each municipality to timely pay to the Wastewater Utility its proportionate share of debt and any related debt service costs on a payment schedule approved by the Wastewater Utility.

Interest payments under the agreement are recorded as revenue when earned. Principal payments are recorded as reductions of the accounts receivable - capacity rights account. The deferred revenue will be amortized on a straight-line basis over the term of the agreement. The capacity revenue recognized was \$1,043,941 for the years ended December 31, 2008 and 2007.

The agreement also calls for revenue sharing payments to be made between participating municipalities based on current year's municipal budgets and the prior year's municipal populations and equalized valuations. The agreement requires the Wastewater Utility to collect revenue sharing payments from the contributing municipalities and distribute them to recipient municipalities.

The agreement also requires the Wastewater Utility to make payments from its reserve accounts to the City of Racine, Wisconsin, with respect to the Racine Public Library, Racine Zoo, and the Charles A. Wustum Museum of Fine Arts which were determined to be regional cultural services and facilities which benefit the outlying parties. These payments in the amount of \$882,151 and \$609,736 for 2008 and 2007, respectively, are reported as transfers to other funds in the statement of revenues, expenses and changes in fund net assets.

**NOTE 11 - INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT**

The Water Utility entered into an intergovernmental retail water service agreement with the City of Racine, the Village of Sturtevant and the Village of Mount Pleasant. The agreement was reached to provide an equitable allocation of the cost expansion of existing and future water service facilities, which are necessary to continue providing high quality, reliable water service, and allow for future growth needs. Projects designed to serve future growth are funded through the water rates, contract connection charges and contract front-foot charges for new mains installed in the City and Villages that will directly and substantially serve future growth and development. Costs to remedy existing deficiencies in the water system would be recovered through the water sales.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 11 - INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT (CONTINUED)**

The residential equivalent connection (REC) fees are deposited in an interest-bearing segregated account and are restricted to pay for future growth costs. REC fees are recorded as revenue when received. The REC fee activity for year ended December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 1,282,353	\$ 718,137
Receipts		
REC fees	537,773	995,963
Front foot fees	61,377	290,267
Interest and valuation adjustment	12,764	506,286
	<u>611,914</u>	<u>1,792,516</u>
Disbursements	<u>(1,036,489)</u>	<u>(1,228,300)</u>
Ending balance	<u>\$ 857,778</u>	<u>\$ 1,282,353</u>

**NOTE 12 - COMMITMENTS**

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2008, contracts with these entities totaled \$20,503,090 of which \$20,322,642 was paid and \$180,448 is committed for future services and construction activities to be performed.

During the year, the Wastewater Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2008, contracts with these entities totaled \$1,633,778 of which \$708,488 was paid and \$925,290 is committed for future services and construction activities to be performed.

**NOTE 13 - INFILTRATION/INFLOW REMOVAL AGREEMENT**

In 1994, the Wastewater Utility entered into an agreement with the City of Racine, Wisconsin, to periodically replace the manholes and upgrade other structures to promote infiltration/inflow removal in the City of Racine, Wisconsin. As part of the agreement, the Utility paid the construction costs for the manhole replacement and upgrades and was allowed to place a special charge on the bills of City residents to recover its costs. At December 31, 2008 and 2007 the Wastewater Utility had unrecovered cost of \$1,011,394 and \$1,363,367, respectively, which was reported as due from the City of Racine, Wisconsin.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 14 - LEASES**

The Wastewater Utility leases a parcel of land from the Racine Commercial Airport Corporation. The lease, which is for 50 years expiring in 2052, is classified as an operating lease. Lease payments are the greater of \$35,000 adjusted annually for inflation or half of the property taxes levied on the Airport's real property. Rent expense for the lease was \$41,548 and \$39,833 in 2008 and 2007, respectively.

Future minimum payments for the next five years under the lease:

2009	\$	35,000
2010		35,000
2011		35,000
2012		35,000
2013		35,000
Thereafter		<u>1,330,000</u>
	<u>\$</u>	<u>1,505,000</u>

**NOTE 15 - MAJOR CUSTOMERS**

One major customer accounted for 17% of Wastewater Utility gross sales aggregating \$2,037,735 and 16% of gross sales aggregating \$2,044,417 in 2008 and 2007, respectively. Total accounts receivable from this customer totaled \$508,365 and \$542,629, respectively, in 2008 and 2007.

One major customer accounted for 24.3% of Water Utility gross sales aggregating \$3,984,820 and 24.3% of gross sales aggregating \$3,871,067 in 2008 and 2007, respectively. Total accounts receivable from this customer totaled \$0 and \$966, respectively, in 2008 and 2007.

**NOTE 16 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43 - *Financial Reporting for Post Employment Benefit Plans other than Pension Plans*. In June 2004, the GASB issued Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions*. The City of Racine, Wisconsin, was required to implement these statements effective January 1, 2007, and accordingly, the Utilities, as funds of the City were also required to implement these statements.

These statements establish standards for the measurement, recognition, and display of postemployment benefits (OPEB) expense and related liabilities, note disclosures, and required supplementary information in the financial reports of local government employers.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 16 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The Racine Water and Wastewater Utilities participate in a single-employer defined benefit health care and life benefit plan (the Retiree Health Plan) administered by the City of Racine, Wisconsin. The plan provides health insurance benefits for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements or personnel policy guidelines, or past practice and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

The benefits vary depending upon the age and years of service of the retiree. Benefit provisions are established through collective bargaining agreements and generally result in the employer paying 100% of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The employer also pays 100% of Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those who retire prior to age 65 and who meet the age and years of service criteria above. In 2006, various groups of retirees began paying an estimated portion of the health care premiums. Required contributions range from 0%-5% based on labor negotiations and retirement date.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the unions. Personnel policy guidelines may be amended by action of the City's Common Council. The employer makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The amount of the employer's contribution ranges from 95-100% based on the employee's year of retirement and bargaining unit. For fiscal year 2007, the Water and Wastewater Utilities contributed \$462,587 and \$321,458 to the plan, respectively. For fiscal year 2008, the Water and Wastewater Utilities contributed \$581,287 and \$403,946 to the plan, respectively. Eligible plan member contributions vary based on the specific collective bargaining agreement. Plan member contributions range from 0-5% of their premium costs.

The Water and Wastewater Utility's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to plan, and changes in the net OPEB obligation:



**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 16 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Annual required contribution	\$ 1,618,906	\$ 1,125,002	\$ 2,743,908
Interest on net OPEB obligation	43,676	30,351	74,027
Adjustment to annual required contribution	<u>(60,716)</u>	<u>(42,192)</u>	<u>(102,908)</u>
Annual OPEB cost	1,601,866	1,113,161	2,715,027
Contributions made	<u>581,287</u>	<u>403,946</u>	<u>985,233</u>
Increase in net OPEB obligation	1,020,579	709,215	1,729,794
Net OPEB obligation, beginning of year	<u>1,091,897</u>	<u>758,776</u>	<u>1,850,673</u>
Net OPEB obligation, end of year	<u>\$ 2,112,476</u>	<u>\$ 1,467,991</u>	<u>\$ 3,580,467</u>

The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 were as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Annual required contribution	\$ 1,554,484	\$ 1,080,234	\$ 2,634,718
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Annual OPEB cost	1,554,484	1,080,234	2,634,718
Contributions made	<u>462,587</u>	<u>321,458</u>	<u>784,045</u>
Increase in net OPEB obligation	1,091,897	758,776	1,850,673
Net OPEB obligation, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 1,091,897</u>	<u>\$ 758,776</u>	<u>\$ 1,850,673</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 16 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Year ended December 31, 2008			
Annual OPEB cost	\$ 1,601,866	\$ 1,113,161	\$ 2,715,027
Percentage of annual OPEB cost contributed	36.29%	36.29%	36.29%
Net OPEB obligation	\$ 2,112,476	\$ 1,467,991	\$ 3,580,467
Year ended December 31, 2007			
Annual OPEB cost	\$ 1,554,484	\$ 1,080,234	\$ 2,634,718
Percentage of annual OPEB cost contributed	29.80%	29.80%	29.80%
Net OPEB obligation	\$ 1,091,897	\$ 758,776	\$ 1,850,673
Year ended December 31, 2006			
Annual OPEB cost	N/A	N/A	N/A
Percentage of annual OPEB cost contributed	N/A	N/A	N/A
Net OPEB	N/A	N/A	N/A

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 16 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The funded status of the plan as of December 31, 2007, the most recent actuarial valuation date, was as follows:

	Water Utility	Wastewater Utility	Total
Actuarial accrued liability (AAL)	\$ 18,812,902	\$ 13,073,372	\$ 31,886,274
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability	<u>\$ 18,812,902</u>	<u>\$ 13,073,372</u>	<u>\$ 31,886,274</u>
Funded ratio (actuarial value of plan assets / AAL)	0.00%	0.00%	0.00%
Covered payroll (active plan members)	3,722,297	2,583,478	6,305,775
UAAL as a percent of covered payroll	505.41%	506.04%	505.67%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 4% after 2017. The unfunded actuarial accrued liability is being amortized over 30 years.

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RACINE WATER AND WASTEWATER UTILITIES  
REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress  
Year Ended December 31, 2008**

	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>(AAL) Accrued Actuarial Liability (b)</b>	<b>(UAAL) Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>Water Utility</b>							
	12/31/2005	N/A	N/A	N/A	N/A	N/A	N/A
	12/31/2006	N/A	N/A	N/A	N/A	N/A	N/A
	12/31/2007	12/31/2007	\$ -	\$ 18,812,902	\$ 18,812,902	0.00%	\$ 3,607,255
	12/31/2008	12/31/2007**	-	18,812,902	18,812,902	0.00%	3,722,297
<b>Wastewater Utility</b>							
	12/31/2005	N/A	N/A	N/A	N/A	N/A	N/A
	12/31/2006	N/A	N/A	N/A	N/A	N/A	N/A
	12/31/2007	12/31/2007	\$ -	\$ 13,073,372	\$ 13,073,372	0.00%	\$ 2,556,891
	12/31/2008	12/31/2007**	-	13,073,372	13,073,372	0.00%	2,583,478

\*\* Date of most recent actuarial valuation report

**SUPPLEMENTAL INFORMATION**

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATING INCOME  
WATER UTILITY  
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Sales of water:		
Metered sales to general customers:		
Residential	\$ 5,757,897	\$ 5,734,814
Commercial	2,121,575	2,031,681
Industrial	4,796,400	4,636,389
Public authorities	<u>577,430</u>	<u>565,961</u>
Total metered sales	13,253,302	12,968,845
Unmetered sales	92,110	84,852
Private fire protection	199,323	224,427
Public fire protection	1,318,215	1,298,751
Sales for resale	<u>1,038,461</u>	<u>933,876</u>
Total sales of water	<u>15,901,411</u>	<u>15,510,751</u>
Other operating revenues:		
Forfeited discounts	270,074	277,494
Miscellaneous service revenues	48,469	47,775
Search revenues	18,209	20,760
Other water revenues	<u>194,603</u>	<u>171,845</u>
Total other operating revenues	<u>531,355</u>	<u>517,874</u>
Total operating revenues	<u>16,432,766</u>	<u>16,028,625</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance expenses:		
Personnel services	3,289,402	3,204,083
Contractual services	3,231,697	3,397,343
Materials and supplies	865,339	817,470
Administrative and general	<u>2,556,771</u>	<u>3,008,011</u>
Total operation and maintenance expenses	9,943,209	10,426,907
Depreciation	3,995,876	3,842,588
Taxes	<u>291,315</u>	<u>288,298</u>
Total operating expenses	<u>14,230,400</u>	<u>14,557,793</u>
<b>OPERATING INCOME</b>	<u>\$ 2,202,366</u>	<u>\$ 1,470,832</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES**  
**WATER UTILITY**  
**Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Personnel services	\$ 3,289,402	\$ 3,204,083
Contractual services		
Equipment maintenance	128,907	123,821
Building maintenance	113,268	70,519
Vehicle maintenance	51,377	29,830
Telephone	17,748	17,941
Natural gas	221,765	195,974
Electric services	775,705	715,013
Water and wastewater services	839,710	1,090,734
Auto hire	-	-
Street repairs	263,903	296,158
Main maintenance	80,228	101,834
Meter maintenance	1,379	788
Professional services	294,741	320,244
Computer maintenance	45,313	48,349
Water storage maintenance	397,653	386,138
Total contractual services	<u>3,231,697</u>	<u>3,397,343</u>
Materials and supplies		
Operating chemicals	384,224	328,731
Pipe and fittings	10,972	30,403
Meter parts	8,664	9,295
Gasoline and diesel fuel	110,635	95,302
Office supplies	29,406	20,230
Custodial supplies	11,796	12,292
Laboratory supplies	28,109	28,011
Equipment supplies	60,774	57,523
Building supplies	39,964	29,962
Construction and meter supplies	38,843	54,312
Street repair supplies	69,204	95,033
Postage	40,371	26,819
Safety supplies	21,015	18,867
Computer supplies	11,362	10,690
Total materials and supplies	<u>865,339</u>	<u>817,470</u>



**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
WATER UTILITY  
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Administrative and general		
Property and liability insurance	\$ 60,184	\$ 55,704
Workers compensation insurance	208,874	241,901
Medical expenses	1,794,473	2,176,628
Life insurance	14,407	20,559
Wisconsin retirement	374,298	369,893
Training programs	31,423	66,066
Dues, publications, and travel	19,165	23,077
Office rent	24,184	23,373
Stormwater fees	4,885	5,242
PSC expenses	24,878	25,568
Total administrative and general	<u>2,556,771</u>	<u>3,008,011</u>
 Total operation and maintenance expenses	 <u>\$ 9,943,209</u>	 <u>\$ 10,426,907</u>

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATING INCOME  
WASTEWATER UTILITY  
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Metered sales to general customers:		
Residential	\$ 3,453,986	\$ 3,892,305
Commercial	1,609,483	1,741,365
Industrial	781,186	660,531
Municipal	4,739,423	4,733,116
Public authorities	<u>1,024,907</u>	<u>1,379,342</u>
Total metered sales	11,608,985	12,406,659
Other operating revenues:		
Forfeited discounts	289,451	239,727
Other sewer revenues	<u>282,682</u>	<u>229,497</u>
Total operating revenues	<u>12,181,118</u>	<u>12,875,883</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance expenses:		
Personnel services	2,558,792	2,426,323
Contractual services	2,612,883	2,257,944
Materials and supplies expense	584,160	518,234
Customer account expenses	490,680	485,090
Administrative and general	<u>2,095,082</u>	<u>2,365,532</u>
Total operation and maintenance expenses	8,341,597	8,053,123
Depreciation	4,455,762	4,385,937
Taxes	<u>192,543</u>	<u>190,749</u>
Total operating expenses	<u>12,989,902</u>	<u>12,629,809</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ (808,784)</u>	<u>\$ 246,074</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES**  
**WASTEWATER UTILITY**  
**Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Personnel services	\$ 2,558,792	\$ 2,426,323
Contractual services		
Equipment maintenance	318,310	262,190
Building maintenance	6,306	10,474
Vehicle maintenance	11,527	7,967
Telephone	9,597	9,453
Natural gas	332,487	269,822
Electric services	729,754	701,917
Water and wastewater service	164,645	157,326
Sewer system repairs	21,975	31,570
Interceptor maintenance	55,194	37,206
Professional services	304,770	138,713
Sludge and grit disposal	658,318	631,306
Total contractual services	<u>2,612,883</u>	<u>2,257,944</u>
Materials and supplies		
Operating chemicals	362,720	305,546
Gasoline and diesel fuel	35,996	27,260
Office supplies	13,406	14,302
Custodial supplies	12,395	12,800
Laboratory supplies	51,561	42,764
Plant and system supplies	67,048	69,934
Sewer maintenance supplies	3,687	4,977
Lubricants	30,538	22,336
Computer supplies	6,809	18,315
Total materials and supplies	<u>584,160</u>	<u>518,234</u>
Customer account expenses		
Meter operations	132,446	127,536
Meter maintenance	25,767	26,660
Meter reading	50,526	52,184
Customer records and collections	127,981	130,769
Depreciation on meters	105,491	100,166
Return on meter investment	48,469	47,775
Total customer account expenses	<u>490,680</u>	<u>485,090</u>

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
WASTEWATER UTILITY  
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Administrative and general		
Property and liability insurance	\$ 96,987	\$ 66,544
Workers compensation insurance	55,261	70,613
Life insurance	15,323	19,069
Wisconsin retirement	275,395	259,944
Dues, publications, and travel	18,496	32,599
Office rent	23,843	23,042
Stormwater fees	18,732	18,525
Medical expenses	1,317,544	1,604,736
Safety programs	4,975	3,699
City departmental charges	72,193	70,090
DNR permit fee	151,216	151,178
Airport lease	41,548	39,833
Training programs	3,569	5,660
Total administrative and general	<u>2,095,082</u>	<u>2,365,532</u>
 Total operation and maintenance expenses	 <u>\$ 8,341,597</u>	 <u>\$ 8,053,123</u>