

Board of Commissioners and Management  
Racine Water and Wastewater Utilities  
Racine, Wisconsin

We have audited the financial statements of the Racine Water and Wastewater Utilities as of and for the year ended December 31, 2021, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit in our engagement letter, dated March 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Racine Water and Wastewater Utilities are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2021.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The asset/liability, deferred outflows of resources, and deferred inflows of resources reported for the pension benefits are calculated by an actuary based on census data and the retirement systems' assumptions for discount rate, inflation rate, mortality, retirement, and other data. The Utilities' allocation of the City of Racine's proportionate share was based on contributions for the covered year. We evaluated the key factors and assumptions used to develop the asset, liability, deferred outflows of resources, and deferred inflows of resources for pension benefits in determining that it is reasonable in relation to the financial statements as a whole.

- The liability, deferred outflows of resources, and deferred inflows of resources reported for the OPEB benefits are calculated by an actuary based on census data and assumptions for discount rate, inflation rate, mortality, retirement, and other data. The Utilities' allocation of the City of Racine's proportionate share was based on contributions for the covered year. We evaluated the key factors and assumptions used to develop the liability, deferred outflows of resources, and deferred inflows of resources for OPEB benefits in determining that it is reasonable in relation to the financial statements as a whole.
- Management's estimate of depreciation is based on the estimated useful lives of the buildings, structures, and equipment. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the compensated absence liability is based on historical experiences and employee hire date. We evaluated the key factors and assumptions used to develop the compensated absence liability in determining that it is reasonable in relation to the financial statements taken as a whole.

#### **Financial statement disclosures**

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Significant unusual transactions**

We identified no significant unusual transactions.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### **Corrected misstatements**

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated REPORT DATE.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Supplementary information in relation to the financial statements as a whole***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedules of operating income and schedules of operations and maintenance expense (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

### **Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in the annual report comprised of the audited financial statements of the City of Racine, Wisconsin. Our responsibility for other information included in the annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in the annual report. We are required by professional standards to read the other information included in the annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This communication is intended solely for the information and use of the Board of Commissioners and management of Racine Water and Wastewater Utilities and is not intended to be, and should not be, used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Wauwatosa, Wisconsin  
REPORT DATE

**SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT**  
**Racine Water and Wastewater Utilities**  
**Wastewater Utility**  
**Year Ended December 31, 2021**

**UNCORRECTED MISSTATEMENTS OF AMOUNTS**

**Effect of misstatements on:**

Description	Assets	Liabilities	Fund Balance / Net Assets	Net Expense/Revenue and Change in Net Assets / Fund Balance
Entry to remove City Surcharge included in the Utility's unbilled receivable estimate	\$ -	\$ -	\$ 350,000	\$ (350,000)
Net current year misstatements (Iron Curtain Method)	-	-	350,000	(350,000)
Net prior year misstatements	-	-		-
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ -	\$ 350,000	\$ (350,000)
Financial statement totals	<u>\$ 123,677,485</u>	<u>\$ 90,843,544</u>	<u>\$ 32,833,941</u>	<u>\$ 1,170,592</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)			1%	-30%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)			1%	-30%

**INADEQUATE DISCLOSURES OR UNCORRECTED MISSTATEMENTS OF DISCLOSURES**

Description	Amount (If Applicable)
N/A	