

RACINE WATER AND WASTEWATER UTILITIES

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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**RACINE WATER AND WASTEWATER UTILITIES
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Racine Water and Wastewater Utilities
Racine, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Racine Water and Wastewater Utilities, enterprise funds of the City of Racine, Wisconsin, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Racine Water and Wastewater Utilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Racine Water and Wastewater Utilities, enterprise funds of the City of Racine, Wisconsin as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis-of-Matter

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, 2021 and 2020 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.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the utilities' allocation of the City of Racine's proportionate share of the net pension liability (asset), schedule of the utilities' pension contributions, schedule of changes in the utilities' total OPEB health insurance liability and related ratios, schedule of the utilities' allocation of the City of Racine's proportionate share of the net OPEB liability, schedule of the utilities' OPEB contributions, and noted to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Racine Water and Wastewater Utilities' basic financial statements. The schedules of operating income and schedules of operation and maintenance expenses for the Water Utility and the Wastewater Utility, as presented 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of operating income and schedules of operation and maintenance expenses for the Water Utility and the Wastewater Utility, as presented in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
REPORT DATE

Management's Discussion and Analysis (Racine Water)

Management's Discussion and Analysis (Racine Wastewater)

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RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF NET POSITION
DECEMBER 31, 2021

	Water Utility	Wastewater Utility	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 9,571,024	\$ 9,641,100	\$ 19,212,124
Accounts Receivable, Net			
Consumers	4,786,038	1,591,392	6,377,430
Other	150,517	313,034	463,551
Delinquent Billings Receivable - Tax Roll	2,911,875	1,476,977	4,388,852
Due from Other Governments	2,239,037	996,047	3,235,084
Due from Other Funds	827,213	822,348	1,649,561
Inventories	521,706	78,805	600,511
Total Current Assets	21,007,410	14,919,703	35,927,113
RESTRICTED ASSETS			
Cash and Cash Equivalents	24,238,721	7,725,830	31,964,551
Net Pension Asset	1,475,843	1,169,093	2,644,936
Plant Capacity Receivable, Current Portion	-	4,087,619	4,087,619
Plant Capacity Receivable, Long-Term Portion	-	11,979,949	11,979,949
Total Restricted Assets	25,714,564	24,962,491	50,677,055
CAPITAL ASSETS			
Utility Plant in Service	273,798,707	177,814,925	451,613,632
Less: Accumulated Depreciation	81,789,383	99,453,768	181,243,151
Net Depreciated Value	192,009,324	78,361,157	270,370,481
Land	1,843,341	316,798	2,160,139
Construction in Progress	11,880,033	1,716,826	13,596,859
Total Capital Assets	205,732,698	80,394,781	286,127,479
Total Assets	252,454,672	120,276,975	372,731,647
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding	355,220	-	355,220
Deferred Amounts Related to OPEB	2,810,792	1,542,206	4,352,998
Deferred Amounts Related to Pension	2,408,456	1,858,304	4,266,760
Total Deferred Outflows of Resources	5,574,468	3,400,510	8,974,978

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2021**

	Water Utility	Wastewater Utility	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,017,287	\$ 450,627	\$ 1,467,914
Retainage Payable	975,500	-	975,500
Due to Other Funds	6,723,916	6,053,920	12,777,836
Due to Other Governments	3,266,628	-	3,266,628
Accrued Compensated Absences, Current Portion	8,946	40,148	49,094
Other Postemployment Benefits, Current Portion	678,015	1,140,530	1,818,545
Accrued Liabilities	168,490	122,554	291,044
Total Current Liabilities	12,838,782	7,807,779	20,646,561
CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS			
Accrued Interest Payable	674,380	75,041	749,421
Long-Term Debt, Current Portion	3,930,323	6,534,602	10,464,925
Unearned Capacity Revenue, Current Portion	-	1,551,057	1,551,057
Total Current Liabilities - Payable from Restricted Assets	4,604,703	8,160,700	12,765,403
NONCURRENT LIABILITIES			
Accrued Compensated Absences, Less Current Portion Above	490,809	259,707	750,516
Other Postemployment Benefits, Less Current Portion Above	18,028,939	10,724,714	28,753,653
Due to Other Governments, Less Current Portion Above	102,265	-	102,265
Unearned Capacity Revenue, Less Current Portion Above	-	44,964,422	44,964,422
Long-Term Debt, Less Current Portion Above	57,010,333	14,153,195	71,163,528
Total Noncurrent Liabilities	75,632,346	70,102,038	145,734,384
Total Liabilities	93,075,831	86,070,517	179,146,348
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to OPEB	1,951,310	2,183,720	4,135,030
Deferred Amounts Related to Pension	3,283,879	2,589,307	5,873,186
Total Deferred Inflows of Resources	5,235,189	4,773,027	10,008,216
NET POSITION			
Net Investment in Capital Assets	165,259,297	59,586,074	224,845,371
Restricted	3,875,605	8,819,882	12,695,487
Unrestricted	(9,416,782)	(35,572,015)	(44,988,797)
Total Net Position	\$ 159,718,120	\$ 32,833,941	\$ 192,552,061

See accompanying Notes to Financial Statements.

RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF NET POSITION
DECEMBER 31, 2020

ASSETS	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,164,258	\$ 11,579,060	\$ 14,743,318
Accounts Receivable, Net			
Consumers	5,145,325	1,875,629	7,020,954
Other	39,943	123,117	163,060
Delinquent Billings Receivable - Tax Roll	2,769,103	1,404,146	4,173,249
Due from Other Governments	3,897,951	1,291,739	5,189,690
Due from Other Funds	809,605	805,943	1,615,548
Inventories	490,659	91,110	581,769
Total Current Assets	<u>16,316,844</u>	<u>17,170,744</u>	<u>33,487,588</u>
RESTRICTED ASSETS			
Cash and Cash Equivalents	9,787,197	7,717,877	17,505,074
Net Pension Asset	719,902	551,050	1,270,952
Plant Capacity Receivable, Current Portion	-	4,126,683	4,126,683
Plant Capacity Receivable, Long-Term Portion	-	16,006,862	16,006,862
Total Restricted Assets	<u>10,507,099</u>	<u>28,402,472</u>	<u>38,909,571</u>
CAPITAL ASSETS			
Utility Plant in Service	249,770,254	175,664,980	425,435,234
Less: Accumulated Depreciation	76,505,419	96,114,309	172,619,728
Net Depreciated Value	<u>173,264,835</u>	<u>79,550,671</u>	<u>252,815,506</u>
Land	1,843,341	316,798	2,160,139
Construction in Progress	12,580,062	1,191,567	13,771,629
Total Capital Assets	<u>187,688,238</u>	<u>81,059,036</u>	<u>268,747,274</u>
Total Assets	<u>214,512,181</u>	<u>126,632,252</u>	<u>341,144,433</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding	804,147	-	804,147
Deferred Amounts Related to OPEB	1,765,050	687,173	2,452,223
Deferred Amounts Related to Pension	1,717,999	1,322,358	3,040,357
Total Deferred Outflows of Resources	<u>4,287,196</u>	<u>2,009,531</u>	<u>6,296,727</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2020**

	Water Utility	Wastewater Utility	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 4,996,324	\$ 315,198	\$ 5,311,522
Retainage Payable	859,190	-	859,190
Due to Other Funds	6,220,342	4,341,861	10,562,203
Due to Other Governments	1,104,079	-	1,104,079
Accrued Compensated Absences, Current Portion	57,614	42,975	100,589
Other Postemployment Benefits, Current Portion	802,683	341,586	1,144,269
Accrued Liabilities	177,601	221,518	399,119
Total Current Liabilities	14,217,833	5,263,138	19,480,971
CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS			
Accrued Interest Payable	516,738	103,490	620,228
Long-Term Debt, Current Portion	4,754,765	6,600,179	11,354,944
Unearned Capacity Revenue, Current Portion	-	1,551,057	1,551,057
Total Current Liabilities - Payable from Restricted Assets	5,271,503	8,254,726	13,526,229
NONCURRENT LIABILITIES			
Accrued Compensated Absences, Less Current Portion Above	554,330	330,828	885,158
Other Postemployment Benefits, Less Current Portion Above	16,269,121	10,565,089	26,834,210
Unearned Capacity Revenue, Less Current Portion Above	-	46,514,938	46,514,938
Long-Term Debt, Less Current Portion Above	40,342,614	19,925,808	60,268,422
Total Noncurrent Liabilities	57,166,065	77,336,663	134,502,728
Total Liabilities	76,655,401	90,854,527	167,509,928
DEFERRED INFLOWS OF RESOURCES			
Rate Stabilization Fund	-	1,200,000	1,200,000
Deferred Amounts Related to OPEB	2,619,921	3,134,304	5,754,225
Deferred Amounts Related to Pension	2,274,348	1,789,603	4,063,951
Total Deferred Inflows of Resources	4,894,269	6,123,907	11,018,176
NET POSITION			
Net Investment in Capital Assets	145,820,921	54,568,072	200,388,993
Restricted	3,274,237	8,165,437	11,439,674
Unrestricted	(11,845,451)	(31,070,160)	(42,915,611)
Total Net Position	<u>\$ 137,249,707</u>	<u>\$ 31,663,349</u>	<u>\$ 168,913,056</u>

See accompanying Notes to Financial Statements.

RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021

	Water Utility	Wastewater Utility	Total
OPERATING REVENUES	\$ 24,537,724	\$ 11,451,983	\$ 35,989,707
OPERATING EXPENSES			
Operation and Maintenance Expenses	8,668,597	7,816,926	16,485,523
Bad Debt	14,879	24,224	39,103
Depreciation	6,150,100	3,888,546	10,038,646
Taxes	324,310	226,301	550,611
Total Operating Expenses	<u>15,157,886</u>	<u>11,955,997</u>	<u>27,113,883</u>
OPERATING INCOME (LOSS)	9,379,838	(504,014)	8,875,824
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	62,651	19,432	82,083
Interest Expense	(2,407,888)	(501,237)	(2,909,125)
Intergovernmental Interest Reimbursement	-	376,693	376,693
Plant Capacity Income	-	1,551,057	1,551,057
Amortization of Premiums and Refunding Loss	258,385	-	258,385
Household Hazardous Waste Revenue	-	172,375	172,375
Household Hazardous Waste Expense	-	(195,642)	(195,642)
Miscellaneous Income	-	10,727	10,727
Total Nonoperating Revenues (Expenses)	<u>(2,086,852)</u>	<u>1,433,405</u>	<u>(653,447)</u>
Income Before Capital Contributions and Transfers	7,292,986	929,391	8,222,377
CAPITAL CONTRIBUTIONS			
Residential Equivalent Connection Fees	146,372	-	146,372
Capital Asset Donations	18,786,829	1,362,721	20,149,550
Total Capital Contributions	<u>18,933,201</u>	<u>1,362,721</u>	<u>20,295,922</u>
TRANSFERS OUT	<u>(3,757,774)</u>	<u>(1,121,520)</u>	<u>(4,879,294)</u>
CHANGE IN NET POSITION	22,468,413	1,170,592	23,639,005
Net Position - Beginning of Year	<u>137,249,707</u>	<u>31,663,349</u>	<u>168,913,056</u>
NET POSITION - END OF YEAR	<u>\$ 159,718,120</u>	<u>\$ 32,833,941</u>	<u>\$ 192,552,061</u>

See accompanying Notes to Financial Statements.

RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

	Water Utility	Wastewater Utility	Total
OPERATING REVENUES	\$ 21,422,304	\$ 12,867,152	\$ 34,289,456
OPERATING EXPENSES			
Operation and Maintenance Expenses	9,822,606	8,581,469	18,404,075
Bad Debt	29,583	23,250	52,833
Depreciation	5,495,192	3,940,649	9,435,841
Taxes	335,159	243,378	578,537
Total Operating Expenses	<u>15,682,540</u>	<u>12,788,746</u>	<u>28,471,286</u>
OPERATING INCOME	5,739,764	78,406	5,818,170
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	83,001	49,833	132,834
Interest Expense	(1,691,868)	(668,325)	(2,360,193)
Intergovernmental Interest Reimbursement	-	686,387	686,387
Plant Capacity Income	-	1,551,057	1,551,057
Amortization of Premiums and Refunding Loss	128,783	-	128,783
Gain on Disposal of Capital Asset	-	1,350	1,350
Household Hazardous Waste Revenue	-	167,727	167,727
Household Hazardous Waste Expense	-	(176,941)	(176,941)
Miscellaneous Income	-	19,149	19,149
Total Nonoperating Revenues (Expenses)	<u>(1,480,084)</u>	<u>1,630,237</u>	<u>150,153</u>
Income Before Capital Contributions and Transfers	4,259,680	1,708,643	5,968,323
CAPITAL CONTRIBUTIONS			
Residential Equivalent Connection Fees	298,802	-	298,802
Capital Asset Donations	33,966,616	1,535,490	35,502,106
Total Capital Contributions	<u>34,265,418</u>	<u>1,535,490</u>	<u>35,800,908</u>
TRANSFERS OUT	<u>(3,544,144)</u>	<u>(1,113,078)</u>	<u>(4,657,222)</u>
CHANGE IN NET POSITION	34,980,954	2,131,055	37,112,009
Net Position - Beginning of Year	<u>102,268,753</u>	<u>29,532,294</u>	<u>131,801,047</u>
NET POSITION - END OF YEAR	<u>\$ 137,249,707</u>	<u>\$ 31,663,349</u>	<u>\$ 168,913,056</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	Water Utility	Wastewater Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from Customers and Users	\$ 25,909,895	\$ 10,232,843	\$ 36,142,738
Paid to Supplier	(3,247,729)	(2,485,924)	(5,733,653)
Paid to Employee	(5,938,928)	(5,169,183)	(11,108,111)
Stormwater Fees Collected for Other Funds	6,047,024	-	6,047,024
Stormwater Fees Disbursed to Other Funds	(5,534,399)	-	(5,534,399)
Net Cash Provided by Operating Activities	17,235,863	2,577,736	19,813,599
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(3,757,774)	(1,121,520)	(4,879,294)
Principal Paid on Noncapital Debt	-	(58,505)	(58,505)
Interest Paid on Noncapital Debt	-	(804)	(804)
Fiscal Agent Receipts from Other Governments	1,658,914	295,692	1,954,606
Household Hazardous Waste Program	-	(23,267)	(23,267)
Miscellaneous Receipts	-	10,727	10,727
Net Cash Used by Noncapital Financing Activities	(2,098,860)	(897,677)	(2,996,537)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Utility Plant	(8,788,079)	(1,764,142)	(10,552,221)
Long-Term Debt Issued	24,005,000	761,990	24,766,990
Premium on Long-Term Debt Issued	1,750,458	-	1,750,458
Principal Paid on Long-Term Debt	(9,204,868)	(6,541,675)	(15,746,543)
Interest Paid on Long-Term Debt	(2,250,247)	(528,882)	(2,779,129)
Proceeds From REC and Other Fees	146,372	-	146,372
Intergovernmental Interest Reimbursement	-	376,693	376,693
Proceeds From Plant Capacity Charges	-	4,066,518	4,066,518
Net Cash Provided (Used) by Capital and Related Financing Activities	5,658,636	(3,629,498)	2,029,138
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	62,651	19,432	82,083
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,858,290	(1,930,007)	18,928,283
Cash and Cash Equivalents - Beginning of Year	12,951,455	19,296,937	32,248,392
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 33,809,745</u>	<u>\$ 17,366,930</u>	<u>\$ 51,176,675</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

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

	Water Utility	Wastewater Utility	Total
Unrestricted	\$ 9,571,024	\$ 9,641,100	\$ 19,212,124
Restricted	24,238,721	7,725,830	31,964,551
Total	<u>\$ 33,809,745</u>	<u>\$ 17,366,930</u>	<u>\$ 51,176,675</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$ 9,379,838	\$ (504,014)	\$ 8,875,824
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	6,150,100	3,888,546	10,038,646
Depreciation Charged to other Funds	142,683	-	142,683
Effects of Changes in Operating Assets and Liabilities:			
Accounts Receivable	105,941	21,489	127,430
Inventories	(31,047)	12,305	(18,742)
Due from Other Funds	(17,608)	(16,405)	(34,013)
Compensated Absences	(112,189)	(73,948)	(186,137)
Other Postemployment Benefits	1,635,150	958,569	2,593,719
Deferred Outflows of Resources Related to OPEB	(1,045,742)	(855,033)	(1,900,775)
Deferred Inflows of Resources Related to OPEB	(668,611)	(950,584)	(1,619,195)
Pension Benefits	(755,941)	(618,043)	(1,373,984)
Deferred Outflows of Resources Related to Pension	(690,457)	(535,946)	(1,226,403)
Deferred Inflows of Resources Related to Pension	1,009,531	799,704	1,809,235
Rate Stabilization Deferred Inflow	-	(1,200,000)	(1,200,000)
Accounts Payable	(625,062)	38,001	(587,061)
Accrued Liabilities	(9,111)	(98,964)	(108,075)
Due to Other Funds	503,574	1,712,059	2,215,633
Due to Other Governments	2,264,814	-	2,264,814
Net Cash Provided by Operating Activities	<u>\$ 17,235,863</u>	<u>\$ 2,577,736</u>	<u>\$ 19,813,599</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Estimated cost of Water and Wastewater Utility plant installed or financed by developers or customers was \$18,786,829 and \$1,362,721, respectively.

Water and Wastewater Utilities reported \$1,052,544 and \$120,910, respectively, of capital assets in accounts and retainage payable.

**RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	Water Utility	Wastewater Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Received From Customers and Users	\$ 23,385,045	\$ 13,198,608	\$ 36,583,653
Paid to Suppliers	(6,222,370)	(6,351,361)	(12,573,731)
Paid to Employees	(5,617,267)	(3,926,486)	(9,543,753)
Stormwater Fees Collected for Other Funds	5,686,028	-	5,686,028
Stormwater Fees Disbursed to Other Funds	(5,221,424)	-	(5,221,424)
Net Cash Provided by Operating Activities	12,010,012	2,920,761	14,930,773
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(3,544,144)	(1,113,078)	(4,657,222)
Principal Paid on Noncapital Debt	-	(109,349)	(109,349)
Interest Paid on Noncapital Debt	-	(6,921)	(6,921)
Repayment of Advances From Other Funds	(123,857)	(110,775)	(234,632)
Interest Paid on Advance From Other Funds	(1,316)	(1,412)	(2,728)
Fiscal Agent Payments on Behalf of Other Governments	(1,221,406)	798,631	(422,775)
Household Hazardous Waste Program	-	(9,214)	(9,214)
Miscellaneous Receipts	-	19,149	19,149
Net Cash Used by Noncapital Financing Activities	(4,890,723)	(532,969)	(5,423,692)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Utility Plant	(14,445,305)	(2,105,743)	(16,551,048)
Proceeds From Sale of Capital Assets	-	13,851	13,851
Long-Term Debt Issued	-	766,598	766,598
Principal Paid on Long-Term Debt	(4,355,167)	(6,331,311)	(10,686,478)
Interest Paid on Long-Term Debt	(1,730,001)	(687,121)	(2,417,122)
Proceeds From REC and Other Fees	298,802	-	298,802
Intergovernmental Interest Reimbursement	-	686,387	686,387
Proceeds From Plant Capacity Charges	-	4,255,861	4,255,861
Net Cash Used by Capital and Related Financing Activities	(20,231,671)	(3,401,478)	(23,633,149)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	83,001	49,833	132,834
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,029,381)	(963,853)	(13,993,234)
Cash and Cash Equivalents - Beginning of Year	25,980,836	20,260,790	46,241,626
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,951,455</u>	<u>\$ 19,296,937</u>	<u>\$ 32,248,392</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

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

	Water Utility	Wastewater Utility	Total
Unrestricted	\$ 3,164,258	\$ 11,579,060	\$ 14,743,318
Restricted	9,787,197	7,717,877	17,505,074
Total	<u>\$ 12,951,455</u>	<u>\$ 19,296,937</u>	<u>\$ 32,248,392</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 5,739,764	\$ 78,406	\$ 5,818,170
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation	5,495,192	3,940,649	9,435,841
Depreciation Charged to Other Funds	141,313	-	141,313
Effects of Changes in Operating Assets and Liabilities:			
Accounts Receivable	(1,109,894)	332,242	(777,652)
Inventories	(36,172)	(16,115)	(52,287)
Prepaid Expenses	23	-	23
Due from Other Funds	1,848,371	22,464	1,870,835
Compensated Absences	(3,096)	(46,696)	(49,792)
Other Postemployment Benefits	(1,377,277)	(2,482,184)	(3,859,461)
Deferred Outflows of Resources Related to OPEB	242,035	54,897	296,932
Deferred Inflows of Resources Related to OPEB	1,093,430	1,956,249	3,049,679
Pension Benefits	(1,500,653)	(1,128,518)	(2,629,171)
Deferred Outflows of Resources Related to Pension	354,831	188,320	543,151
Deferred Inflows of Resources Related to Pension	1,161,127	964,695	2,125,822
Accounts Payable	(1,232,083)	176,852	(1,055,231)
Accrued Liabilities	(131,734)	183,736	52,002
Due to Other Funds	220,756	(1,304,236)	(1,083,480)
Due to Other Governments	1,104,079	-	1,104,079
Net Cash Provided by Operating Activities	<u>\$ 12,010,012</u>	<u>\$ 2,920,761</u>	<u>\$ 14,930,773</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Estimated cost of Water and Wastewater Utility plant installed or financed by developers or customers was \$33,966,616 and \$1,535,490, respectively.

Water and Wastewater Utilities reported \$4,290,209 and \$23,482, respectively, of capital assets in accounts and retainage payable.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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. Any surpluses or deficits determined after a current year audit is complete are rolled into future year rates per a sewer agreement with the above municipalities. 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, Village of Elmwood Park, Village of Mount Pleasant, Village of North Bay, and Village of 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, with the exception of the Local Government Investment Pool (LGIP) 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. The Local Government Investment Pool is reported at the per share value as reported by LGIP. No investments are reported at amortized cost.

The Wisconsin LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2021 and 2020, the fair value of the Utilities' share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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 an estimate of the charges to December 31 that will be billed in the first quarter of the subsequent year. The Water Utility also records accounts receivable for charges to customers for stormwater services. These charges are collected by the Water Utility on behalf of the City of Racine's Stormwater Utility, and the Water Utility disburses these collections to the City of Racine within three months or less.

Customer accounts receivable are stated at amounts billed plus accrued interest. Unpaid accounts over 20 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.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Other Governments

Racine Water and Wastewater Utilities serve as the fiscal agent for certain limited expansion and improvement projects to the surrounding municipalities pursuant to intergovernmental agreements. Amounts paid by the Utility pursuant to these agreements are recognized as due from other governments at the time expansion and improvement payments are made by the Utilities.

Inventories

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

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 Wastewater Utility Commissioners. Metered service sales to water customers are billed at rates determined by the Public Service Commission. Most customers, with exception of industrial customers, 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 \$5,000 and estimated useful life in excess of five years.

Capital assets of the Utilities are recorded at cost or the acquisition value at the time of contribution to the Utilities. Major outlays for utility plant are capitalized as projects are constructed.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Interceptors	25 to 100 Years
Lift Station Structures	20 to 50 Years
Treatment Equipment	5 to 40 Years
Other Structures	20 to 40 Years
Other Equipment	5 to 20 Years

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	59 Years
Structures	31 to 34 Years
Membrane Filtration	10 Years
Standpipes	53 Years
Mains, Services, and Hydrants	34 to 77 Years
Meters	18 Years
Equipment	4 to 30 Years

Long-Term Obligations

Long-term debt and other obligations are reported as Utility liabilities. Bond premiums and discounts 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, whichever is shorter. Bond issue costs are expensed in the year incurred.

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 sick leave accumulated. Accumulated sick leave earned but not taken and any salary related benefits thereon have been reported as accrued compensated absences.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from the WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from the LRLIFs fiduciary net position have been determined on the same basis as they are reported by the LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Transfers

As described in Note 11, 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 and the Wastewater Utility's share of payment in lieu of taxes.

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

Equity Classifications

The difference between all other elements in a statement of financial position is net position. Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Unspent related debt proceeds or deferred inflows of resources are excluded from the calculation of net investment in capital assets.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

- b. Restricted net position – Consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Utilities had the following deposits as of December 31, 2021.

	Water Utility	Wastewater Utility	Total
Petty Cash	\$ 1,250	\$ -	\$ 1,250
Demand Deposits	29,424,388	10,934,242	40,358,630
Local Government Investment Pool	4,384,107	6,432,688	10,816,795
Total Cash and Cash Equivalents	<u>\$ 33,809,745</u>	<u>\$ 17,366,930</u>	<u>\$ 51,176,675</u>
Reconciliation to the Financial Statements:			
Cash and Cash Equivalents:			
Unrestricted	\$ 9,571,024	\$ 9,641,100	\$ 19,212,124
Restricted	24,238,721	7,725,830	31,964,551
Total Cash and Cash Equivalents	<u>\$ 33,809,745</u>	<u>\$ 17,366,930</u>	<u>\$ 51,176,675</u>

The Utilities had the following deposits as of December 31, 2020.

	Water Utility	Wastewater Utility	Total
Petty Cash	\$ 1,250	\$ -	\$ 1,250
Demand Deposits	9,234,608	12,867,981	22,102,589
Local Government Investment Pool	3,715,597	6,428,956	10,144,553
Total Cash and Cash Equivalents	<u>\$ 12,951,455</u>	<u>\$ 19,296,937</u>	<u>\$ 32,248,392</u>
Reconciliation to the Financial Statements:			
Cash and Cash Equivalents:			
Unrestricted	\$ 3,164,258	\$ 11,579,060	\$ 14,743,318
Restricted	9,787,197	7,717,877	17,505,074
Total Cash and Cash Equivalents	<u>\$ 12,951,455</u>	<u>\$ 19,296,937</u>	<u>\$ 32,248,392</u>

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Deposits of governmental entities held by an official custodian in banks located in the same state as the governmental entity are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per financial institution. 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 and the Local Government Investment Pool above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2021 and 2020, 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.

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 district, technical college district, village, town, or school district of the state, the University of Wisconsin Hospitals and Clinics Authority, and the Wisconsin Aerospace Authority.
- 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 Credit Risk for Deposits

Custodial credit 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, 2021 and 2020, the Water Utility's carrying value of the deposits was \$29,424,388 and \$9,234,608, respectively, as compared to bank balances of \$29,479,672 and \$9,226,570, respectively. Of the bank balances at December 31, 2021 and 2020, \$500,000 and \$500,000, respectively, was covered by federal depository insurance, and \$28,979,672 and \$8,726,570, respectively, was collateralized by pledged securities. As of December 31, 2021 and 2020, there was no uncollateralized cash.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Custodial Credit Risk for Deposits (Continued)

As of December 31, 2021 and 2020, the Wastewater Utility's carrying value of the deposits was \$10,934,242 and \$12,867,981, respectively, as compared to bank balances of \$10,943,335 and \$12,943,233, respectively. Of the bank balances at December 31, 2021 and 2020, \$500,000 and \$500,000, respectively, was covered by federal depository insurance, and \$10,443,335 and \$12,443,233, respectively, was collateralized by pledged securities. There was no uncollateralized cash as of December 31, 2021 and 2020.

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. The LGIP is not subject to the custodial credit risk.

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, 2021 and 2020, the Utilities held investments in the Local Government Investment Pool which is not rated.

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, 2021 and 2020, there were no Utility investments subject to credit risk representing greater than 5% of the investment balance.

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.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2021 and 2020, the fair value of the Utilities' share of the LGIP's assets was substantially equal to the amount as reported in these statements. Certificates of deposit held in the LGIP are covered by FDIC insurance, which applies to the proportionate public unit share of accounts. The average maturity of the LGIP is 2.0 and 1.3 months for the years ended December 31, 2021 and 2020, respectively.

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Fair Value Measurements

The Utilities use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Utilities follow an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Utilities have categorized their investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The Utilities do not have any assets that are subject to fair value measurements.

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 position 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. The Utilities also report restricted resources for funds received that are restricted for uses as designated by intergovernmental agreements. The following accounts are reported as restricted assets:

Bond Redemption Fund – Used to segregate resources accumulated for debt service payments over the next 12 months.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 RESTRICTED ASSETS (CONTINUED)

Reserve Fund – Used to report resources set aside to be used in the event of deficiencies in the redemption account.

Depreciation Fund – Used to report resources set aside to fund plant renewals and replacement. These resources could also be used in the event of 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.

Capital Improvement Fund – Used to report funds set aside for capital improvements.

The Pension Asset has been reported as restricted. This asset represents funds held by the Plan Trust, which can only be used to settle Plan obligations.

The Plant Capacity Receivables have been reported as restricted assets. The uses of future receipts are limited by the governing agreement.

The Utilities had the following restricted assets as of December 31, 2021:

	Water Utility	Wastewater Utility	Total
Cash and Cash Equivalents			
Bond Redemption	\$ 2,274,142	\$ 4,509,538	\$ 6,783,680
Reserve Fund	4,384,107	-	4,384,107
Depreciation Fund	800,000	-	800,000
Capital Improvement Fund	16,780,472	-	16,780,472
Replacement Fund	-	3,216,292	3,216,292
Total Restricted Cash and Cash Equivalents	24,238,721	7,725,830	31,964,551
Pension Asset	1,475,843	1,169,093	2,644,936
Plant Capacity Receivable	-	16,067,568	16,067,568
Total Restricted Assets	25,714,564	24,962,491	50,677,055
Reconciliation to Restricted Net Position:			
Plant Capacity Receivable Included in			
Unearned Capacity Revenue	-	(16,067,568)	(16,067,568)
Accrued Interest Payable	(674,380)	(75,041)	(749,421)
Unspent Bond Proceeds in Capital			
Improvement Fund	(16,780,472)	-	(16,780,472)
Bond Reserve Fund Financed by Bond			
Proceeds	(4,384,107)	-	(4,384,107)
Restricted Net Position	<u>\$ 3,875,605</u>	<u>\$ 8,819,882</u>	<u>\$ 12,695,487</u>

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 RESTRICTED ASSETS (CONTINUED)

The Utilities had the following restricted assets as of December 31, 2020:

	Water Utility	Wastewater Utility	Total
Cash and Cash Equivalents			
Bond Redemption	\$ 2,271,073	\$ 4,503,451	\$ 6,774,524
Reserve Fund	3,715,597	-	3,715,597
Depreciation Fund	800,000	-	800,000
Capital Improvement Fund	3,000,527	-	3,000,527
Replacement Fund	-	3,214,426	3,214,426
Total Restricted Cash and Cash Equivalents	9,787,197	7,717,877	17,505,074
Pension Asset	719,902	551,050	1,270,952
Plant Capacity Receivable	-	20,133,545	20,133,545
Total Restricted Assets	10,507,099	28,402,472	38,909,571
Reconciliation to Restricted Net Position:			
Plant Capacity Receivable Included in			
Unearned Capacity Revenue	-	(20,133,545)	(20,133,545)
Accrued Interest Payable	(516,738)	(103,490)	(620,228)
Unspent Bond Proceeds in Capital			
Improvement Fund	(3,000,527)	-	(3,000,527)
Bond Redemption Fund Financed by Bond			
Proceeds	(3,715,597)	-	(3,715,597)
Restricted Net Position	\$ 3,274,237	\$ 8,165,437	\$ 11,439,674

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility				
Capital Assets Not Being Depreciated				
Land	\$ 1,843,341	\$ -	\$ -	\$ 1,843,341
Construction in Progress	12,580,062	3,176,204	3,876,233	11,880,033
Total Capital Assets Not Being Depreciated	14,423,403	3,176,204	3,876,233	13,723,374
Capital Assets Being Depreciated				
Buildings and System	38,757,558	2,258,869	83,967	40,932,460
Improvements Other Than Buildings	171,231,387	21,073,499	425,435	191,879,451
Machinery and Equipment	39,781,309	1,704,904	499,417	40,986,796
Total Capital Assets Being Depreciated	249,770,254	25,037,272	1,008,819	273,798,707
Accumulated Depreciation				
Buildings and System	19,054,733	1,275,926	83,967	20,246,692
Improvements Other Than Buildings	32,431,696	3,026,698	425,435	35,032,959
Machinery and Equipment	25,018,990	1,990,159	499,417	26,509,732
Total Accumulated Depreciation	76,505,419	6,292,783	1,008,819	81,789,383
Total Capital Assets Being Depreciated, Net	173,264,835	18,744,489	-	192,009,324
Total Capital Assets	187,688,238	21,920,693	3,876,233	205,732,698
Wastewater Utility				
Capital Assets Not Being Depreciated				
Land	316,798	-	-	316,798
Construction in Progress	1,191,567	2,063,806	1,538,547	1,716,826
Total Capital Assets Not Being Depreciated	1,508,365	2,063,806	1,538,547	2,033,624
Capital Assets Being Depreciated				
Buildings and System	94,316,532	40,118	-	94,356,650
Improvements Other Than Buildings	31,493,413	2,393,276	13,825	33,872,864
Machinery and Equipment	49,855,035	265,638	535,262	49,585,411
Total Capital Assets Being Depreciated	175,664,980	2,699,032	549,087	177,814,925
Accumulated Depreciation				
Buildings and System	45,201,672	1,840,065	-	47,041,737
Improvements Other Than Buildings	13,084,561	286,429	13,825	13,357,165
Machinery and Equipment	37,828,076	1,762,052	535,262	39,054,866
Total Accumulated Depreciation	96,114,309	3,888,546	549,087	99,453,768
Total Capital Assets Being Depreciated, Net	79,550,671	(1,189,514)	-	78,361,157
Total Capital Assets	81,059,036	874,292	1,538,547	80,394,781
Total	\$ 268,747,274	\$ 22,794,985	\$ 5,414,780	\$ 286,127,479

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility				
Capital Assets Not Being Depreciated				
Land	\$ 1,843,341	\$ -	\$ -	\$ 1,843,341
Construction in Progress	7,967,346	10,376,073	5,763,357	12,580,062
Total Capital Assets Not Being Depreciated	9,810,687	10,376,073	5,763,357	14,423,403
Capital Assets Being Depreciated				
Buildings and System	38,762,749	-	5,191	38,757,558
Improvements Other Than Buildings	130,535,279	40,997,864	301,756	171,231,387
Machinery and Equipment	34,415,115	6,024,507	658,313	39,781,309
Total Capital Assets Being Depreciated	203,713,143	47,022,371	965,260	249,770,254
Accumulated Depreciation				
Buildings and System	17,818,714	1,241,210	5,191	19,054,733
Improvements Other Than Buildings	30,146,003	2,587,449	301,756	32,431,696
Machinery and Equipment	23,869,457	1,807,846	658,313	25,018,990
Total Accumulated Depreciation	71,834,174	5,636,505	965,260	76,505,419
Total Capital Assets Being Depreciated, Net	131,878,969	41,385,866	-	173,264,835
Total Capital Assets	141,689,656	51,761,939	5,763,357	187,688,238
Wastewater Utility				
Capital Assets Not Being Depreciated				
Land	316,798	-	-	316,798
Construction in Progress	866,680	1,094,786	769,899	1,191,567
Total Capital Assets Not Being Depreciated	1,183,478	1,094,786	769,899	1,508,365
Capital Assets Being Depreciated				
Buildings and System	94,123,228	193,304	-	94,316,532
Improvements Other Than Buildings	29,214,840	2,278,573	-	31,493,413
Machinery and Equipment	49,905,397	246,409	296,771	49,855,035
Total Capital Assets Being Depreciated	173,243,465	2,718,286	296,771	175,664,980
Accumulated Depreciation				
Buildings and System	43,363,184	1,838,488	-	45,201,672
Improvements Other Than Buildings	12,801,021	283,540	-	13,084,561
Machinery and Equipment	36,293,725	1,818,621	284,270	37,828,076
Total Accumulated Depreciation	92,457,930	3,940,649	284,270	96,114,309
Total Capital Assets Being Depreciated, Net	80,785,535	(1,222,363)	12,501	79,550,671
Total Capital Assets	81,969,013	(127,577)	782,400	81,059,036
Total	\$ 223,658,669	\$ 51,634,362	\$ 6,545,757	\$ 268,747,274

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 RATE STABILIZATION FUND

On September 27, 2017, the Racine Wastewater Utility's Board of Commissioners established a rate stabilization fund effective starting with the 2018 fiscal year in accordance with GASB 62. The Board of Commissioners established a user rate that will fund a rate stabilization fund. Amounts collected from this charge will be held in a deferred inflow of resources on the statement of net position. The terms of the rate stabilization fund focus on a desired rate of return each year, allowing for adjustments for variances in rainfall that affect usage, and establishes rates each year without severe fluctuations. In the years ended December 31, 2021 and 2020, Racine Wastewater Utility deferred \$-0- and \$400,000, respectively, of revenue into the rate stabilization fund. In the years ended December 31, 2021 and 2020, Racine Wastewater Utility recognized \$1,200,000 and \$-0-, respectively, of operating revenue from the rate stabilization fund. As of December 31, 2021 and 2020, the Racine Wastewater Utility had deferred inflows of resources related to the rate stabilization fund of \$-0- and \$1,200,000, respectively.

NOTE 6 LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Water Utility					
Long-Term Debt					
Revenue Bonds	\$ 37,330,000	\$ 24,005,000	\$ 8,110,000	\$ 53,225,000	\$ 2,470,000
Notes from Direct Borrowings and Direct Placements	5,636,451	-	1,094,868	4,541,583	1,120,144
Total	42,966,451	24,005,000	9,204,868	57,766,583	3,590,144
(Discounts) or Premiums	2,130,928	1,750,458	707,313	3,174,073	340,179
Total Long-Term Debt	45,097,379	25,755,458	9,912,181	60,940,656	3,930,323
Other Postemployment Benefits	17,071,804	2,437,833	802,683	18,706,954	678,015
Due to Other Governments	-	102,265	-	102,265	-
Compensated Absences	611,944	-	112,189	499,755	8,946
Total Long-Term Liabilities	\$ 62,781,127	\$ 28,295,556	\$ 10,827,053	\$ 80,249,630	\$ 4,617,284
Wastewater Utility					
Long-Term Debt					
Notes from Direct Borrowings and Direct Placements	\$ 26,525,987	\$ 761,990	\$ 6,600,180	\$ 20,687,797	\$ 6,534,602
Other Postemployment Benefits	10,906,675	1,300,155	341,586	11,865,244	1,140,530
Compensated Absences	373,803	-	73,948	299,855	40,148
Unearned Capacity Revenue	48,065,995	-	1,550,516	46,515,479	1,551,057
Total Long-Term Liabilities	\$ 85,872,460	\$ 2,062,145	\$ 8,566,230	\$ 79,368,375	\$ 9,266,337

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Water Utility					
Long-Term Debt					
Revenue Bonds	\$ 40,615,000	\$ -	\$ 3,285,000	\$ 37,330,000	\$ 3,405,000
Notes from Direct Borrowings and Direct Placements	6,706,618	-	1,070,167	5,636,451	1,094,868
Total	47,321,618	-	4,355,167	42,966,451	4,499,868
(Discounts) or Premiums	2,405,813	-	274,885	2,130,928	254,897
Total Long-Term Debt	49,727,431	-	4,630,052	45,097,379	4,754,765
Advances from Other Funds	123,857	-	123,857	-	-
Other Postemployment Benefits	18,449,081	-	1,377,277	17,071,804	802,683
Compensated Absences	615,040	43,428	46,524	611,944	57,614
Net Pension Liability	780,751	-	780,751	-	-
Total Long-Term Liabilities	\$ 69,696,160	\$ 43,428	\$ 6,958,461	\$ 62,781,127	\$ 5,615,062
Wastewater Utility					
Long-Term Debt					
Notes from Direct Borrowings and Direct Placements	\$ 32,200,049	\$ 766,598	\$ 6,440,660	\$ 26,525,987	\$ 6,600,179
Advances from Other Funds	110,775	-	110,775	-	-
Other Postemployment Benefits	13,388,859	-	2,482,184	10,906,675	341,586
Compensated Absences	420,499	37,378	84,074	373,803	42,975
Net Pension Liability	577,468	-	577,468	-	-
Unearned Capacity Revenue	49,616,511	-	1,550,516	48,065,995	1,551,057
Total Long-Term Liabilities	\$ 96,314,161	\$ 803,976	\$ 11,245,677	\$ 85,872,460	\$ 8,535,797

The following issues are outstanding as of December 31, 2021 and 2020:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2021	Balance 12/31/2020
Water Utility						
<u>Notes from Direct Borrowings</u>						
Safe Drinking Water Loan	12/22/2004	5/1/2024	2.365%	\$ 16,666,035	\$ 3,170,712	\$ 4,179,159
Safe Drinking Water Loan	5/27/2015	5/1/2035	1.650%	1,230,346	1,370,871	1,457,292
<u>Revenue Bonds</u>						
Mortgage Revenue Refunding Bonds	10/25/2011	9/1/2021	3.00 - 3.50%	6,500,000	-	335,000
Mortgage Revenue Bonds	7/10/2012	9/1/2024	2.00 - 4.00%	14,140,000	-	6,155,000
Mortgage Revenue Refunding Bonds	9/8/2015	9/1/2026	2.00 - 4.00%	6,590,000	3,430,000	4,095,000
Mortgage Revenue Refunding Bonds	9/7/2016	9/1/2021	2.00 - 3.00%	3,725,000	-	770,000
Mortgage Revenue Bonds	12/28/2017	9/1/2031	3.00 - 5.00%	6,135,000	5,815,000	5,975,000
Mortgage Revenue Bonds	2/19/2019	9/1/2039	3.00 - 5.00%	20,000,000	19,975,000	20,000,000
Mortgage Revenue Refunding Bonds	2/11/2021	9/1/2041	1.00 - 5.00%	19,890,000	19,890,000	-
Mortgage Revenue Refunding Bonds	6/3/2021	9/1/2024	5.00%	4,115,000	4,115,000	-
Total Water Utility					\$ 57,766,583	\$ 42,966,451
Wastewater Utility						
Clean Water Fund Loans	4/10/2002	5/1/2021	2.750%	\$ 4,073,012	\$ -	\$ 272,369
Clean Water Fund Loans	12/22/2004	5/1/2021	2.860%	17,943,748	1,218,740	2,403,595
Clean Water Fund Loans	11/27/2002	5/1/2022	2.867%	60,724,848	4,347,294	8,573,425
Clean Water Fund Loans	1/23/2008	5/1/2027	2.480%	3,481,931	1,233,307	1,421,836
Clean Water Fund Loans	3/24/2010	5/1/2029	2.200%	2,524,712	1,217,129	1,354,906
Clean Water Fund Loans	5/23/2018	5/1/2038	1.870%	521,546	455,068	477,632
Clean Water Fund Loans	6/27/2018	5/1/2038	1.870%	13,088,291	11,454,269	12,022,224
Clean Water Fund Loans	11/10/2021	5/1/2041	1.485%	761,990	761,990	-
Total Wastewater Utility					\$ 20,687,797	\$ 26,525,987

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The debt service requirements for all debt outstanding as of December 31, 2021 is as follows:

Year	Water Utility					
	Notes from Direct Borrowing			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,120,144	\$ 84,675	\$ 1,204,819	\$ 2,470,000	\$ 1,924,038	\$ 4,394,038
2023	1,146,007	58,511	1,204,518	2,630,000	1,769,644	4,399,644
2024	1,172,472	31,739	1,204,211	2,745,000	1,651,544	4,396,544
2025	92,267	17,438	109,705	3,170,000	1,528,194	4,698,194
2026	93,790	15,903	109,693	3,310,000	1,395,194	4,705,194
2027-2031	492,679	55,587	548,266	14,225,000	5,007,669	19,232,669
2032-2036	424,224	14,143	438,367	13,105,000	2,800,519	15,905,519
2037-2041	-	-	-	11,570,000	778,163	12,348,163
Total	<u>\$ 4,541,583</u>	<u>\$ 277,996</u>	<u>\$ 4,819,579</u>	<u>\$ 53,225,000</u>	<u>\$ 16,854,965</u>	<u>\$ 70,079,965</u>

Year	Wastewater Utility		
	Principal	Interest	Total
2022	\$ 6,534,594	\$ 360,976	\$ 6,895,570
2023	988,186	261,692	1,249,878
2024	1,008,209	241,163	1,249,372
2025	1,028,645	220,817	1,249,462
2026	1,049,501	199,745	1,249,246
2027-2031	4,308,220	719,796	5,028,016
2032-2036	3,954,969	251,353	4,206,322
2037-2041	1,815,473	38,088	1,853,561
Total	<u>\$ 20,687,797</u>	<u>\$ 2,293,630</u>	<u>\$ 22,981,427</u>

Revenue Debt

The Utilities issue revenue bonds, safe drinking water loans and clean water fund loans that are payable only from revenues derived from the operation of the Water and Wastewater Utilities.

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$99.0 million in water system revenue bonds and safe drinking water loans issued between 2004 and 2021. Proceeds from the bonds provided financing for various extension, replacement, repair, and improvement projects throughout the water treatment and distribution system, acquiring equipment, and refunding. The bonds are payable solely from water customer net revenues and are payable through 2041. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$74,899,544. Principal and interest paid for the current year and total customer net revenues were \$11,455,115 and \$15,738,961, respectively. Principal and interest paid for the prior year and total net revenues were \$6,085,168 and \$11,616,759, respectively.

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

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Revenue Debt (Continued)

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$103.1 million in clean water fund loans issued between 2002 and 2021. Proceeds from the loans provided financing for the construction of certain projects in the wastewater treatment system. The loans are payable solely from wastewater customer net revenues and are payable through 2041. Annual principal and interest payments on the loans are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$22,981,427. Principal and interest paid for the current year and total customer net revenues were \$7,129,866 and \$7,894,648, respectively. Principal and interest paid for the prior year and total net revenues were \$7,134,702 and \$9,134,596, respectively.

There are a number of limitations and restrictions contained in the various Wastewater Utility bond indentures and loan agreements. One such covenant requires that the Utility will produce each year Net Revenues, as defined by the agreement, equivalent to not less than 110% of annual principal and interest requirements of all bonds or similar obligations payable from the revenues of the Utility. The Utility has determined that annual cash receipts under the Sanitary Sewer Services Agreement, rather than annual revenue recognized should be utilized in this calculation. The receipts of payments from the Sanitary Sewer Services Agreement participants are planned to meet debt service requirements. However, the revenue is recognized over the life of the agreement, which is substantially longer than the repayment terms. As such, the Utility believes the cash flows better represent the Utility's ability to meet debt services requirements. The calculation used to determine compliance with the covenant at December 31 is below:

	2021	2020
Operating Revenues	\$ 11,451,983	\$ 12,867,152
Investment Earnings	19,432	49,833
Household Hazardous Waste Revenues	172,375	167,727
Miscellaneous Income	10,727	19,149
Cash Payments Received Under the Intergovernmental Sanitary Sewer Service Agreement	4,503,224	5,055,773
Gross Revenues	16,157,741	18,159,634
Less: Operation and Maintenance Expense	(8,689,462)	(9,078,645)
Other Postemployment Benefit Expense	872,536	497,176
Bad Debt	(24,224)	(23,250)
Taxes	(226,301)	(243,378)
Household Hazardous Waste Expense	(195,642)	(176,941)
Net Revenues	<u>\$ 7,894,648</u>	<u>\$ 9,134,596</u>
Annual Debt Service Payment	<u>\$ 6,895,570</u>	<u>\$ 7,130,398</u>
Coverage Ratio	1.14	1.28

At December 31, 2021 and 2020, the Wastewater Utility was in compliance with the covenant based on the above calculation.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 NET POSITION

Net position for the year ended December 31, 2021 is as follows:

	Water Utility	Wastewater Utility
Invested in Capital Assets, Net of Related Debt:		
Capital Assets, Net of Accumulated Depreciation	\$ 205,732,698	\$ 80,394,781
Capital Related Long-Term Debt and Other		
Borrowings Outstanding	(40,473,401)	(20,808,707)
Total Invested in Capital Assets	165,259,297	59,586,074
Restricted:		
Debt Service	1,599,762	4,434,497
Depreciation Fund	800,000	-
DNR Equipment Replacement Fund	-	3,216,292
Pension Asset	1,475,843	1,169,093
Total Restricted	3,875,605	8,819,882
Unrestricted	(9,416,782)	(35,572,015)
Total Net Position	<u>\$ 159,718,120</u>	<u>\$ 32,833,941</u>

Net position for the year ended December 31, 2020 is as follows:

	Water Utility	Wastewater Utility
Invested in Capital Assets, Net of Related Debt:		
Capital Assets, Net of Accumulated Depreciation	\$ 187,688,238	\$ 81,059,036
Capital Related Long-Term Debt and Other		
Borrowings Outstanding	(41,867,317)	(26,490,964)
Total Invested in Capital Assets	145,820,921	54,568,072
Restricted:		
Debt Service	1,754,335	4,399,961
Depreciation Fund	800,000	-
DNR Equipment Replacement Fund	-	3,214,426
Pension Asset	719,902	551,050
Total Restricted	3,274,237	8,165,437
Unrestricted	(11,845,451)	(31,070,160)
Total Net Position	<u>\$ 137,249,707</u>	<u>\$ 31,663,349</u>

Excluded from invested in capital assets, net of related debt, is \$-0- and \$58,505 of Clean Water Fund Loans that relates to financing of special projects that the Wastewater Utility performs for the City of Racine, Wisconsin, for 2021 and 2020, respectively. These amounts are not used to finance Utility purchases of capital assets.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

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

ETF issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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

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

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

Contributions – Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The Water Utility participates in the Plan as part of the City of Racine. The City has determined that Water Utility's allocation of the City's share of participation in the Pension, to be 4.77% and 4.63%, respectively, for the years ended December 31, 2021 and 2020.

The Wastewater Utility participates in the Plan as part of the City of Racine. The City has determined that Wastewater Utility's allocation of the City's proportional share of participation in the Pension, to be 3.78% and 3.54%, respectively, for the years ended December 31, 2021 and 2020.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

During the reporting period for the years ended December 31, 2021 and 2020, the WRS recognized contributions from the City of Racine that included \$258,385 and \$276,260 in contributions from Water Utility, respectively.

During the reporting period for the years ended December 31, 2021 and 2020, the WRS recognized contributions from the City of Racine that included \$193,679 and \$218,840 in contributions from Wastewater Utility, respectively.

Contribution rates as of December 31, 2021 are:

Employee Category	Employee	Employer
General (Including Teachers)	6.75 %	6.75 %
Executives and Elected Officials	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.65 %
Protective without Social Security	6.75 %	16.25 %

Contribution rates as of December 31, 2020 are:

Employee Category	Employee	Employer
General (Including Teachers)	6.55 %	6.55 %
Executives and Elected Officials	6.55 %	6.55 %
Protective with Social Security	6.55 %	10.55 %
Protective without Social Security	6.55 %	14.95 %

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Water and Wastewater Utilities reported a liability (asset) of (\$1,475,843) and (\$1,169,093), respectively, for its allocation of the City of Racine's proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The Water and Wastewater's allocation of the City's proportion was determined by the City. At December 31, 2020, the Water and Wastewater Utilities allocated proportion was 0.02363945% and 0.01872604% respectively, which was an increase of 0.00131314% and 0.00163634%, respectively, from its proportion measured as of December 31, 2019.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2020, the Water and Wastewater Utilities reported a liability (asset) of (\$719,902) and (\$551,050), respectively, for its allocation of the City of Racine's proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The Water and Wastewater's allocation of the City's proportion was determined by the City. At December 31, 2019, the Water and Wastewater Utilities allocated proportion was 0.02232631% and 0.01708970%, respectively, which was an increase of 0.00038085% and 0.00085813%, respectively, from its proportion measured as of December 31, 2018.

For the years ended December 31, 2021 and 2020, the Water Utility recognized pension expense of (\$148,715) and \$279,306, respectively.

For the years ended December 31, 2021 and 2020, the Wastewater Utility recognized pension expense of (\$117,805) and \$213,588, respectively.

At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Water Utility Deferred Outflows of Resources	Water Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,101,652	\$ 482,130
Changes in Assumptions	44,746	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	2,801,011
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,673	738
Employer Contributions Subsequent to the Measurement Date	258,385	-
Total	<u>\$ 2,408,456</u>	<u>\$ 3,283,879</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,632,017	\$ 335,352
Changes in Assumptions	30,399	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	2,253,443
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,209	512
Employer Contributions Subsequent to the Measurement Date	193,679	-
Total	<u>\$ 1,858,304</u>	<u>\$ 2,589,307</u>

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$258,385 and \$193,679 reported as deferred outflows related to pension resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the year ended December 31, 2022 for the Water and Wastewater Utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

		Water Utility	
		Net Amortization of	
		Deferred Outflows and	
		Inflows of Resources	
<u>Year Ended December 31,</u>			
	2022	\$	(346,175)
	2023		(175,209)
	2024		(430,103)
	2025		(182,321)

		Wastewater Utility	
		Net Amortization of	
		Deferred Outflows and	
		Inflows of Resources	
<u>Year Ended December 31,</u>			
	2022	\$	(285,799)
	2023		(149,038)
	2024		(343,993)
	2025		(145,852)

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	Water Utility Deferred Outflows of Resources	Water Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,373,617	\$ 726,631
Changes in Assumptions	68,122	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	1,546,586
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,131
Employer Contributions Subsequent to the Measurement Date	276,260	-
Total	<u>\$ 1,717,999</u>	<u>\$ 2,274,348</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,055,302	\$ 529,034
Changes in Assumptions	48,216	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	1,259,745
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	824
Employer Contributions Subsequent to the Measurement Date	218,840	-
Total	<u>\$ 1,322,358</u>	<u>\$ 1,789,603</u>

Actuarial Assumption – For the year-ended December 31, 2020, the total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Postretirement Adjustments:	1.9%*

*No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

For the year ended December 31, 2019, the total pension asset in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Postretirement Adjustments:	1.9%*

*No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as of December 31, 2020:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2	0.8
Inflation Sensitive Assets	16.0	2.0	(0.4)
Real Estate	8.0	5.6	3.1
Private Equity/Debt	11.0	10.2	7.6
Multi-Asset	4.0	5.8	3.3
Total Core Fund	115.0%	6.6%	4.1%
Variable Fund Asset Class			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0	7.4	4.9
Total Variable Funds	100.0%	7.1%	4.6%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.4%

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as of December 31, 2019:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	49.0%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Total Core Fund	110.0%	7.5%	4.6%
Variable Fund Asset Class			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0	8.2	5.3
Total Variable Funds	100.0%	7.8%	4.9%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%

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

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Single Discount Rate – A single discount rate of 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' allocation of the City's Proportionate Share of the Net Pension Liability (Asset) – The following presents the Utilities' proportionate share of the net pension liability (asset) as of December 31, 2020 calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Water Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,404,798	\$ (1,475,843)	\$ (3,951,653)
Wastewater Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,112,814	\$ (1,169,093)	\$ (2,845,136)

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The following presents the Utilities' proportionate share of the net pension liability (asset), as of December 31, 2019 calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Water Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,853,877	\$ (719,902)	\$ (2,644,098)
Wastewater Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,419,052	\$ (551,050)	\$ (2,023,928)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

NOTE 9 INTERFUND RECEIVABLES/PAYABLES

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2021 as follows:

	Water Utility	Wastewater Utility
Due from City of Racine	\$ 53,844	\$ 18,525
Due from Wastewater Utility	773,369	-
Due from Water Utility	-	803,823
Total Due From Other Funds	<u>\$ 827,213</u>	<u>822,348</u>
Due to City of Racine	\$ 5,920,093	\$ 5,280,551
Due to Wastewater Utility	803,823	-
Due to Water Utility	-	773,369
Total Due to Other Funds	<u>\$ 6,723,916</u>	<u>\$ 6,053,920</u>

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 INTERFUND RECEIVABLES/PAYABLES (CONTINUED)

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2020 as follows:

	Water Utility	Wastewater Utility
Due from City of Racine	\$ 56,808	\$ 8,159
Due from Wastewater Utility	752,797	-
Due from Water Utility	-	797,784
	<u>-</u>	<u>797,784</u>
Total Due From Other Funds	<u>\$ 809,605</u>	<u>\$ 805,943</u>
Due to City of Racine	\$ 5,422,558	\$ 3,589,064
Due to Wastewater Utility	797,784	-
Due to Water Utility	-	752,797
	<u>-</u>	<u>752,797</u>
Total Due to Other Funds	<u>\$ 6,220,342</u>	<u>\$ 4,341,861</u>

NOTE 10 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, 2021 and 2020, the Wastewater Utility has accrued a liability of \$63,144 and \$122,486, respectively, to cover future claims. At December 31, 2021 and 2020, the Water Utility has accrued a liability of \$96,988 and \$112,363, 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 believes 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, 2021 AND 2020

NOTE 11 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 loans 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. The principal of debt due from each municipality was recorded as receivable and unearned capacity revenue upon completion of the expansion project.

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 unearned capacity revenue will be amortized on a straight-line basis over the term of the agreement. The capacity revenue recognized was \$1,551,057 and \$1,551,057 for the years ended December 31, 2021 and 2020, respectively.

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 \$1,062,814 and \$1,057,788 for 2021 and 2020, respectively, are reported as transfers to other funds in the statement of revenues, expenses, and changes in net position.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 12 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 residential equivalent connection (REC) fees 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 rates. In 2013, the Water Utility entered into an intergovernmental wholesale water service agreement with the Village of Caledonia. The Village of Caledonia opted to prepay its residents' portion of these charges.

The 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 Water Utility recognized \$146,372 and \$298,802 of REC fee revenue for years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Water Utility did not have restricted net position related to REC fee deposits.

In 2018, the Water Utility amended the intergovernmental agreement with the Village of Mount Pleasant. As part of the amendment, the Water Utility facilitates engineering and construction costs for Village development projects. Amounts paid by the Utility for such projects are billed to the Village, and the Village reimburses the Utility. The Village maintains ownership of these assets during construction. At December 31, 2021 and 2020, the Utility reported an outstanding receivable from the Village in due from other governments on the statements of net position of \$1,255,174 and \$3,895,157, respectively.

The amendment also establishes minimum required annual future growth revenues that are required to finance future growth project-related debt service payments. In the event that the designated annual revenues are below the established thresholds, the Village of Mount Pleasant is required to remit the designated shortfall to the Utility. These payments are recoverable in the event annual revenues exceed established thresholds. During the years ended December 31, 2021 and 2020, the Utility received \$-0- and \$591,043 of shortfall payments from the Village, which are included in due to other governments on the statements of net position at December 31, 2021 and 2020, respectively.

The amendment also decreased annual REC fees for all classes of customers and guarantees cash flows sufficient to meet existing debt service requirements for related debt. In the event annual collections of REC fees are less than agreed upon amounts, payments will be made to the Utility. These payments are recoverable in the event future receipts exceed debt service requirements. The Utility held \$2,334,890 and \$513,036 of REC fees, which are included in due to other governments on the statements of net position at December 31, 2021 and 2020, respectively.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 13 COMMITMENTS

There were no significant commitments at December 31, 2021 and 2020 for the Water and Wastewater Utilities.

NOTE 14 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, 2021 and 2020, the Wastewater Utility had unrecovered cost/(excess collections) of (\$3,964,969) and (\$2,795,148), respectively, which was reported as part of the due to the City of Racine, Wisconsin, respectively.

NOTE 15 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 \$51,491 and \$50,846 in 2021 and 2020, respectively.

Future minimum payments under the lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2022	\$ 35,000
2023	35,000
2024	35,000
2025	35,000
2026	35,000
2027-2031	175,000
2032-2036	175,000
2037-2041	175,000
2042-2046	175,000
2047-2051	175,000
Total	<u>\$ 1,050,000</u>

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 MAJOR CUSTOMERS

Two major customers accounted for 20.2% and 12.2% of Wastewater Utility gross sales aggregating \$3,946,399 in 2021. Total customer accounts receivable from these customers were not significant to the Utility's operations as of December 31, 2021.

Two major customers accounted for 26.6% and 19.6% of Wastewater Utility gross sales aggregating \$5,943,999 in 2020. Total customer accounts receivable from these customers were not significant to the Utility's operations as of December 31, 2020.

One major customer accounted for 15.7% of Water Utility gross sales aggregating \$3,861,402 and 12.8% of gross sales aggregating \$2,741,628 in 2021 and 2020, respectively. Total accounts receivable from this customer were not significant to the Utility's operations as of December 31, 2021 and 2020.

NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE

General Information

The Racine Water and Wastewater Utilities participate in a single-employer defined benefit health care and life benefit plan, City of Racine Retiree Medical Benefits (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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of the GASB Statement No. 75.

The benefits vary depending upon the age and years of service of the retiree. Benefit provisions are established through personnel policies established by the City 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 a portion of the health care premiums. Required contributions range from 0%-7.5% based on labor negotiations and retirement date.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
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**NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE
(CONTINUED)**

General Information (Continued)

Contribution requirements are established through personnel policies established by the City. 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 the year ended December 31, 2021, the Water and Wastewater Utilities contributed \$678,015 and \$602,343 to the plan, respectively. For the year ended December 31, 2020, the Water and Wastewater Utilities contributed \$871,326 and \$446,962 to the plan, respectively. Eligible plan member contributions vary based on the specific collective bargaining agreement. Plan member contributions range from 0%-7.5% of their premium costs.

At December 31, 2021, the Water and Wastewater reported OPEB liabilities of \$18,237,796 and \$11,417,462, respectively, that were measured by an actuarial valuation as of December 31, 2019.

At December 31, 2020, the Water and Wastewater reported OPEB liabilities of \$16,691,132 and \$10,534,616, respectively, that were measured by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified, for the year ended December 31, 2021:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net OPEB Liability:	December 31, 2020
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Actuarial Cost Method	Entry Age Normal

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified, for the year ended December 31, 2020:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net OPEB Liability:	December 31, 2019
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Actuarial Cost Method	Entry Age Normal

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE
(CONTINUED)**

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the December 31, 2019 were based upon an experience study conducted in 2019 that covered a three-year period from January 1, 2015 to December 31, 2017. This information was rolled forward to determine the valuation as of December 31, 2019.

Changes in the Total OPEB Liability

The following presents the changes in the total OPEB liability of the Utility for the year ended December 31, 2021:

	Water Utility	Wastewater Utility	Total
Balance as of December 31, 2020	\$ 16,691,132	\$ 10,534,616	\$ 27,225,748
Changes for the Year:			
Service Cost	311,472	175,199	486,671
Interest on Total OPEB Liability	454,015	287,366	741,381
Effect of Economic/Demographic (Gains) or Losses	-	-	-
Effect of Assumptions Changes or Inputs	1,652,503	867,243	2,519,746
Benefit Payments	(871,326)	(446,962)	(1,318,288)
Balance as of December 31, 2021	<u>\$ 18,237,796</u>	<u>\$ 11,417,462</u>	<u>\$ 29,655,258</u>

The following presents the changes in the total OPEB liability of the Utility for the year ended December 31, 2020:

	Water Utility	Wastewater Utility	Total
Balance as of December 31, 2019	\$ 18,220,769	\$ 13,165,783	\$ 31,386,552
Changes for the Year:			
Service Cost	323,382	178,650	502,032
Interest on Total OPEB Liability	736,778	538,183	1,274,961
Effect of Economic/Demographic (Gains) or Losses	332,565	(1,655,781)	(1,323,216)
Effect of Assumptions Changes or Inputs	(1,762,749)	(1,251,752)	(3,014,501)
Benefit Payments	(1,159,613)	(440,467)	(1,600,080)
Balance as of December 31, 2020	<u>\$ 16,691,132</u>	<u>\$ 10,534,616</u>	<u>\$ 27,225,748</u>

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE
(CONTINUED)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2021, as well as what the Utilities' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

	1% Decrease to Discount Rate (1.12%)	Current Discount Rate (2.12%)	1% Increase to Discount Rate (3.12%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 21,465,159	\$ 18,237,796	\$ 15,680,737
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 13,055,518	\$ 11,417,462	\$ 10,066,615

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2020, as well as what the Utilities' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	1% Decrease to Discount Rate (1.74%)	Current Discount Rate (2.74%)	1% Increase to Discount Rate (3.74%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 19,496,293	\$ 16,691,132	\$ 14,457,140
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 12,016,744	\$ 10,534,616	\$ 9,310,679

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2021, as well as what the Utilities' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 15,305,464	\$ 18,237,796	\$ 22,017,381
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 9,896,420	\$ 11,417,462	\$ 13,281,231

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2020, as well as what the Utilities' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
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**NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE
(CONTINUED)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

	1% Decrease	Current Trend Rate	1% Increase
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 14,264,327	\$ 16,691,132	\$ 19,788,738
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 9,245,304	\$ 10,534,616	\$ 12,103,530

For the year ended December 31, 2021, the Water Utility recognized total net OPEB expense (benefit) of (\$79,203), of which (\$114,490) was recognized from the Retiree Health Plan.

For the year ended December 31, 2021, the Wastewater Utility recognized total net OPEB expense (benefit) of (\$1,385,235), of which (\$1,410,723) was recognized from the Retiree Health Plan.

For the year ended December 31, 2020, the Water Utility recognized total OPEB expense (benefit) of (\$41,812), of which (\$68,447) was recognized from the Retiree Health Plan.

For the year ended December 31, 2020, the Wastewater Utility recognized total OPEB expense (benefit) of (\$471,038), of which (\$497,176) was recognized from the Retiree Health Plan.

At December 31, 2021, the Utilities' reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Water Utility Deferred Outflows of Resources	Water Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 348,749	\$ -
Changes in Assumptions	1,564,600	1,891,668
Employer Contributions Subsequent to the Measurement Date	678,015	-
Total	<u>\$ 2,591,364</u>	<u>\$ 1,891,668</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,038,653
Changes in Assumptions	725,995	1,086,626
Employer Contributions Subsequent to the Measurement Date	602,343	-
Total	<u>\$ 1,328,338</u>	<u>\$ 2,125,279</u>

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE
(CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The \$678,015 and \$602,338 reported as deferred outflows related to OPEB resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022 for the Water and Wastewater Utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense (benefit) as follows:

<u>Year Ended December 31,</u>	<u>Water Utility Net Amortization of Deferred Outflows and Inflows of Resources</u>
2022	\$ (41,572)
2023	(278,273)
2024	25,466
2025	95,537
2026	220,523

<u>Year Ended December 31,</u>	<u>Wastewater Utility Net Amortization of Deferred Outflows and Inflows of Resources</u>
2022	\$ (699,650)
2023	(483,261)
2024	(382,812)
2025	166,439

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
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**NOTE 17 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE
(CONTINUED)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

	Water Utility Deferred Outflows of Resources	Water Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 406,386	\$ -
Changes in Assumptions	389,351	2,559,878
Employer Contributions Subsequent to the Measurement Date	802,683	-
Total	<u>\$ 1,598,420</u>	<u>\$ 2,559,878</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,459,038
Changes in Assumptions	181,571	1,616,442
Employer Contributions Subsequent to the Measurement Date	341,586	-
Total	<u>\$ 523,157</u>	<u>\$ 3,075,480</u>

NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE

Plan Description

The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible members.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of both December 31, 2021 and 2020 are:

Coverage Type	Employer Contribution
50% Postretirement Coverage	40% Postretirement Coverage
25% Postretirement Coverage	20% Postretirement Coverage

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the years ended December 31, 2020 and 2019 are as listed below:

Life Insurance Employee Contribution Rates For the years ended December 31, 2021 and 2020		
Attained Age	Basic	Supplemental
Under 30	\$ 0.05	\$ 0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver of premium benefit

During the reporting period ended December 31, 2021, the LRLIF recognized \$1,589 and \$1,348 in contributions from the Water and Wastewater Utilities, respectively.

During the reporting period ended December 31, 2020, the LRLIF recognized \$1,690 and \$1,768 in contributions from the Water and Wastewater Utilities, respectively.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

**Total OPEB Liability, OPEB Expenses and Deferred Outflows of Resources and
Deferred Inflows of Resources**

At December 31, 2021, the Water and Wastewater Utilities reported a liability of \$469,158 and \$447,782, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. The Water and Wastewater's allocation of the City's proportion was determined by the City. At December 31, 2020, the Water and Wastewater Utilities allocated proportion was 0.08528591% and 0.08140010%, respectively, which was a decrease of 0.00408794% and 0.00595171% from its proportion measured as of December 31, 2019, respectively.

At December 31, 2020, the Water and Wastewater Utilities reported a liability of \$380,672 and \$372,059, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. The Water and Wastewater's allocation of the City's proportion was determined by the City. At December 31, 2019, the Water and Wastewater Utilities allocated proportion was 0.08937385% and 0.08735181%, respectively, which was an increase of 0.00089272% and 0.00089935% from its proportion measured as of December 31, 2018, respectively.

For the year ended December 31, 2021, the Water Utility recognized total net OPEB expense (benefit) of (\$79,203), of which \$35,287 was from the LRLIF plan.

For the year ended December 31, 2021, the Wastewater Utility recognized total net OPEB expense (benefit) of (\$1,385,235), of which \$25,488 was from the LRLIF plan.

For the year ended December 31, 2020, the Water Utility recognized total OPEB expense (benefit) of (\$41,812), of which \$26,635 was from the LRLIF plan.

For the year ended December 31, 2020, the Wastewater Utility recognized total OPEB expense (benefit) of (\$471,038), of which \$26,138 was from the LRLIF plan.

RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)

Total OPEB Liability, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Water Utility Deferred Outflows of Resources	Water Utility Deferred Inflows of Resources
Differences Between Projected and Actual Experiences	\$ -	\$ 23,806
Changes of Actuarial Assumptions	192,842	35,836
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	7,470	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	17,527	-
Employer Contributions Subsequent to the Measurement Date	1,589	-
Total	<u>\$ 219,428</u>	<u>\$ 59,642</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Projected and Actual Experiences	\$ -	\$ 23,273
Changes of Actuarial Assumptions	188,367	35,168
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	7,424	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	16,729	-
Employer Contributions Subsequent to the Measurement Date	1,348	-
Total	<u>\$ 213,868</u>	<u>\$ 58,441</u>

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

**Total OPEB Liability, OPEB Expenses and Deferred Outflows of Resources and
Deferred Inflows of Resources (Continued)**

\$1,589 and \$1,348 reported as deferred outflows for Water and Wastewater, respectively, related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>		Water Utility Net Amortization of Deferred Outflows and Inflows of Resources
2022	\$	26,754
2023		41,136
2024		25,175
2025		22,319
2026		29,187
Thereafter		13,626

<u>Year Ended December 31,</u>		Wastewater Utility Net Amortization of Deferred Outflows and Inflows of Resources
2022	\$	26,029
2023		40,125
2024		24,489
2025		21,704
2026		28,451
Thereafter		13,281

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
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**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

**Total OPEB Liability, OPEB Expenses and Deferred Outflows of Resources and
Deferred Inflows of Resources (Continued)**

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

	Water Utility Deferred Outflows of Resources	Water Utility Deferred Inflows of Resources
Differences Between Projected and Actual Experiences	\$ -	\$ 17,331
Changes of Actuarial Assumptions	141,360	-
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	7,339	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	16,241	42,712
Employer Contributions Subsequent to the Measurement Date	1,690	-
Total	<u>\$ 166,630</u>	<u>\$ 60,043</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Projected and Actual Experiences	\$ -	\$ 17,093
Changes of Actuarial Assumptions	139,229	-
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	7,300	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	15,874	41,731
Employer Contributions Subsequent to the Measurement Date	1,613	-
Total	<u>\$ 164,016</u>	<u>\$ 58,824</u>

Actuarial Assumptions

The total OPEB liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2020
Measurement Date of Net OPEB Liability:	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

Actuarial Assumptions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 actuarial valuation.

The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability:	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

Long-Term Expected Return on Plan Assets (Continued)

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2020**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Credit Bonds	Barclays Credit	50%	1.47%
U.S. Mortgages	Barclays MBS	50%	0.82%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return and inflation rate remained the same year over year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

**Asset Allocation Targets and Expected Returns
As of December, 2019**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

Single Discount Rate

A single discount rate of 2.25% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the Utilities' Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the utilities' proportionate share of the net OPEB liability as of December 31, 2020 calculated using the discount rate of 2.25%, as well as what the Utilities' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 638,156	\$ 469,158	\$ 341,307
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 609,081	\$ 447,782	\$ 325,757

**RACINE WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE
(CONTINUED)**

**Sensitivity of the Utilities' Proportionate Share of the Net OPEB Liability (Asset) to
Changes in the Discount Rate (Continued)**

The following presents the Utilities' proportionate share of the net OPEB liability as of December 31, 2019 calculated using the discount rate of 2.87%, as well as what the Utilities' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 525,644	\$ 380,672	\$ 270,376
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 513,751	\$ 372,059	\$ 264,259

OPEB Plan Fiduciary Net Position

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

**RACINE WATER AND WASTEWATER UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

Schedule of the Utilities' Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last Ten Measurement Periods*

	2021	2020	2019	2018	2017	2016	2015
Water Utility							
The Utility's Allocation of the City of Racine's Proportion of the Net Pension Liability (Asset)	0.02363945%	0.02232631%	0.02194546%	0.02214081%	0.02329492%	0.02314786%	0.01625163%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset)	\$ (1,475,843)	\$ (719,902)	\$ 780,751	\$ (657,387)	\$ 192,006	\$ 376,148	\$ (399,185)
The Utility's Covered Payroll	\$ 3,976,995	\$ 3,570,145	\$ 3,941,246	\$ 3,624,036	\$ 3,539,267	\$ 3,490,508	\$ 3,486,176
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	105.26%	102.96%	96.45%	102.93%	99.12%	98.20%	102.74%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-37.11%	-20.16%	19.81%	-18.14%	5.43%	10.78%	-11.45%
Wastewater Utility							
The Utility's Allocation of the City of Racine's Proportion of the Net Pension Liability (Asset)	0.01872604%	0.01708970%	0.01623157%	0.01699093%	0.01753476%	0.01738688%	0.01158267%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset)	\$ (1,169,093)	\$ (551,050)	\$ 577,468	\$ (504,481)	\$ 144,528	\$ 282,533	\$ (284,502)
The Utility's Covered Payroll	\$ 3,236,039	\$ 2,755,064	\$ 2,905,858	\$ 2,738,653	\$ 2,664,692	\$ 2,614,742	\$ 2,463,494
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	105.26%	102.96%	96.45%	102.93%	99.12%	98.20%	102.74%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-36.10%	-20.00%	19.87%	-18.42%	5.42%	10.81%	-11.55%

Schedule of the Utilities' Pension Contributions
Wisconsin Retirement System
Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Water Utility							
Contractually Required Contributions	\$ 258,385	\$ 276,260	\$ 254,689	\$ 252,869	\$ 250,844	\$ 233,614	\$ 236,715
Contributions in Relation to the Contractually Required Contributions	\$ (258,385)	\$ (276,260)	\$ (254,689)	\$ (252,869)	\$ (250,844)	\$ (233,614)	\$ (236,715)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's Covered - Employee Payroll	\$ 3,911,408	\$ 3,976,995	\$ 3,570,145	\$ 3,941,246	\$ 3,624,036	\$ 3,539,267	\$ 3,490,508
Contributions as a Percentage of Covered Payroll	6.61%	6.95%	7.13%	6.42%	6.92%	6.60%	6.78%
Wastewater Utility							
Contractually Required Contributions	\$ 193,679	\$ 218,840	\$ 194,952	\$ 187,030	\$ 192,498	\$ 175,848	\$ 177,802
Contributions in Relation to the Contractually Required Contributions	\$ (193,679)	\$ (218,840)	\$ (194,952)	\$ (187,030)	\$ (192,498)	\$ (175,848)	\$ (177,802)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's Covered Payroll	\$ 2,477,228	\$ 3,238,039	\$ 2,755,064	\$ 2,905,858	\$ 2,738,653	\$ 2,664,692	\$ 2,614,742
Contributions as a Percentage of Covered Payroll	7.82%	6.76%	7.08%	6.44%	7.03%	6.60%	6.80%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

**RACINE WATER AND WASTEWATER UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**Schedule of Changes in the Utilities'
Total OPEB Health Insurance Liability and Related Ratios
Last Ten Fiscal Years***

	2021	2020	2019	2018
Total OPEB Liability				
Water Utility				
Service Cost	\$ 311,472	\$ 323,382	\$ 450,916	\$ 395,004
Interest on Total OPEB Liability	454,015	736,778	675,144	686,060
Effect of Economic/Demographic (Gains) or Losses	-	332,565	181,652	280,752
Effect of Assumption Changes or Inputs	1,652,503	(1,762,749)	(1,828,047)	961,925
Benefit Payments	(871,326)	(1,159,613)	(861,236)	(943,479)
Net Change in Total OPEB Liability	1,546,664	(1,529,637)	(1,381,571)	1,380,262
Total OPEB Liability, Beginning	16,691,132	18,220,769	19,602,340	18,222,078
Total OPEB Liability, Ending	<u>\$ 18,237,796</u>	<u>\$ 16,691,132</u>	<u>\$ 18,220,769</u>	<u>\$ 19,602,340</u>
Covered - Employee Payroll	\$ 4,205,306	\$ 4,375,234	\$ 4,190,746	\$ 3,941,246
Utility's Net OPEB Liability as a Percentage of Covered Payroll	433.69%	381.49%	434.79%	497.36%
Wastewater Utility				
Service Cost	\$ 175,199	\$ 178,650	\$ 253,093	\$ 223,562
Interest on Total OPEB Liability	287,366	538,183	488,258	506,413
Effect of Economic/Demographic (Gains) or Losses	-	(1,655,781)	(135,863)	(227,428)
Effect of Assumption Changes or Inputs	867,243	(1,251,752)	(1,171,443)	624,425
Benefit Payments	(446,962)	(440,467)	(413,929)	(306,959)
Net Change in Total OPEB Liability	882,846	(2,631,167)	(979,884)	820,013
Total OPEB Liability, Beginning	10,534,616	13,165,783	14,145,667	13,325,654
Total OPEB Liability, Ending	<u>\$ 11,417,462</u>	<u>\$ 10,534,616</u>	<u>\$ 13,165,783</u>	<u>\$ 14,145,667</u>
Covered - Employee Payroll	\$ 3,214,643	\$ 3,337,077	\$ 3,099,532	\$ 2,905,858
Utility's Net OPEB Liability as a Percentage of Covered Payroll	355.17%	315.68%	424.77%	486.80%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

**RACINE WATER AND WASTEWATER UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

Schedule of the Utilities' Allocation of the City of Racine's Proportionate Share of the Net OPEB Liability

Local Retiree Life Insurance Fund
Last Ten Measurement Periods*

	2021	2020	2019	2018
Water Utility				
The Utility's Allocation of the City of Racine's Proportion of the Net OPEB Liability	0.08528591%	0.08937385%	0.08848113%	0.08781457%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net OPEB Liability	\$ 469,158	\$ 380,672	\$ 228,312	\$ 264,199
The Utility's Covered Payroll	\$ 3,976,995	\$ 3,570,145	\$ 3,941,246	\$ 3,220,627
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	31.36%	37.58%	48.69%	44.81%
Wastewater Utility				
The Utility's Allocation of the City of Racine's Proportion of the Net OPEB Liability	0.08140010%	0.08735181%	0.08645246%	0.08949624%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net OPEB Liability	\$ 447,782	\$ 372,059	\$ 223,076	\$ 269,257
The Utility's Covered Payroll	\$ 3,238,039	\$ 2,755,064	\$ 2,905,858	\$ 2,525,814
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	31.36%	37.58%	48.69%	44.81%

Schedule of the Utilities' OPEB Contributions

Local Retiree Life Insurance Fund
Last Ten Fiscal Years*

	2021	2020	2019	2018
Water Utility				
Contractually Required Contributions	\$ 1,589	\$ 1,690	\$ 1,768	\$ 1,702
Contributions in Relation to the Contractually Required Contributions	\$ (1,589)	\$ (1,690)	\$ (1,768)	\$ (1,702)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Utility's Covered Payroll	\$ 3,976,995	\$ 3,570,145	\$ 3,941,246	\$ 3,220,627
Contributions as a Percentage of Covered Payroll	0.04%	0.05%	0.04%	0.05%
Wastewater Utility				
Contractually Required Contributions	\$ 1,348	\$ 1,613	\$ 1,728	\$ 1,662
Contributions in Relation to the Contractually Required Contributions	\$ (1,348)	\$ (1,613)	\$ (1,728)	\$ (1,662)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Utility's Covered Payroll	\$ 3,238,039	\$ 2,755,064	\$ 2,905,858	\$ 2,525,814
Contributions as a Percentage of Covered Payroll	0.04%	0.06%	0.06%	0.07%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

**RACINE WATER AND WASTEWATER UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
for the year ended December 31, 2021**

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

Changes of assumptions – Pension. No significant change in assumptions were noted from the prior year.

Changes of benefit terms – LRLIF. There were no changes of benefit terms for any participating employer in LRLIF.

Changes of assumptions – LRLIF. The Single Discount Rate assumption used to develop Total OPEB Liability changed from the prior year. Please refer to the Actuarial Assumptions section above for additional detail.

Changes of benefit terms – Health. There were no changes of benefit terms in the OPEB health insurance fund.

Changes of assumptions – Health. No significant change in assumptions were noted from the prior year.

Health Insurance OPEB. No assets are accumulated in a trust that meets the criteria of paragraph 4 of the GASB Statement No. 75.

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**RACINE WATER AND WASTEWATER UTILITIES
SCHEDULES OF OPERATING INCOME
WATER UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
Sales of Water:		
Metered Sales to General Customers:		
Residential	\$ 9,781,900	\$ 9,032,853
Multi-Family Residential	1,711,790	1,493,913
Commercial	2,005,101	1,617,504
Industrial	4,764,667	3,460,030
Public Authorities	990,371	809,997
Total Metered Sales	19,253,829	16,414,297
Unmetered Sales	213,899	146,420
Private Fire Protection	293,802	290,819
Public Fire Protection	2,249,704	2,626,938
Sales for Resale	1,721,036	1,291,673
Total Sales of Water	23,732,270	20,770,147
Other Operating Revenues:		
Forfeited Discounts	411,397	286,490
Miscellaneous Service Revenues	66,167	72,864
Search Revenues	38,662	33,776
Other Water Revenues	289,228	259,027
Total Other Operating Revenues	805,454	652,157
Total Operating Revenues	24,537,724	21,422,304
OPERATING EXPENSES		
Operation and Maintenance Expenses:		
Personnel Services	3,544,055	3,610,329
Contractual Services	2,745,234	3,323,217
Materials and Supplies	960,329	885,668
Administrative and General	1,418,979	2,003,392
Total Operation and Maintenance Expenses	8,668,597	9,822,606
Bad Debt	14,879	29,583
Depreciation	6,150,100	5,495,192
Taxes	324,310	335,159
Total Operating Expenses	15,157,886	15,682,540
OPERATING INCOME	<u>\$ 9,379,838</u>	<u>\$ 5,739,764</u>

**RACINE WATER AND WASTEWATER UTILITIES
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES
WATER UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Personnel Services	\$ 3,544,055	\$ 3,610,329
Contractual Services:		
Equipment Maintenance	90,160	122,431
Building Maintenance	40,771	53,951
Vehicle Maintenance	71,063	70,082
Telephone	23,227	24,235
Natural Gas	124,589	92,350
Electric Services	804,795	727,655
Water and Wastewater Services	326,381	362,782
Street Repairs	301,855	389,663
Main Maintenance	143,002	540,230
Meter Maintenance	38,022	-
Professional Services	343,808	510,239
Computer Maintenance	137,586	107,710
Water Storage Maintenance	299,975	321,889
Total Contractual Services	2,745,234	3,323,217
Materials and Supplies:		
Operating Chemicals	345,070	312,072
Pipe and Fittings	89,385	65,620
Meter Parts	14,173	3,259
Gasoline and Diesel Fuel	65,413	46,044
Office Supplies	32,418	26,829
Custodial Supplies	13,109	15,610
Laboratory Supplies	31,803	41,824
Equipment Supplies	75,642	74,097
Building Supplies	64,026	70,796
Construction and Meter Supplies	40,282	44,320
Street Repair Supplies	81,487	84,759
Postage	43,118	39,981
Safety Supplies	19,288	22,056
Computer Supplies	45,115	38,401
Total Materials and Supplies	960,329	885,668
Administrative and General:		
Property and Liability Insurance	82,191	73,828
Workers' Compensation Insurance	131,776	118,788
Medical Expenses	1,370,162	1,408,798
Impact of OPEB Actuarial Estimates	(79,203)	(41,812)
Life Insurance	15,625	15,492
Wisconsin Retirement	258,385	344,341
Impact of WRS Actuarial Estimates	(436,867)	(55,777)
Training Programs	11,543	6,521
Dues, Publications, and Travel	16,728	12,953
Office Rent	32,664	31,887
Stormwater Fees	15,975	12,393
PSC Expenses	-	75,980
Total Administrative and General	1,418,979	2,003,392
Total Operation and Maintenance Expenses	\$ 8,668,597	\$ 9,822,606

**RACINE WATER AND WASTEWATER UTILITIES
SCHEDULES OF OPERATING INCOME
WASTEWATER UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Metered Sales to General Customers:		
Residential	\$ 4,218,832	\$ 3,364,516
Multi-Family Residential	742,375	844,617
Commercial	827,584	892,311
Industrial	408,056	453,979
Municipal	4,419,759	6,507,759
Public Authorities	300,916	352,756
Total Metered Sales to General Customers	<u>10,917,522</u>	<u>12,415,938</u>
Other Operating Revenues:		
Forfeited Discounts	279,953	206,727
Other Sewer Revenues	254,508	244,487
Total Operating Revenues	<u>11,451,983</u>	<u>12,867,152</u>
OPERATING EXPENSES		
Operation and Maintenance Expenses:		
Personnel Services	2,908,600	3,118,045
Contractual Services	2,694,452	2,693,657
Materials and Supplies Expense	810,457	990,811
Customer Account Expenses	600,629	585,718
Administrative and General	802,788	1,193,238
Total Operation and Maintenance Expenses	<u>7,816,926</u>	<u>8,581,469</u>
Bad Debt	24,224	23,250
Depreciation	3,888,546	3,940,649
Taxes	226,301	243,378
Total Operating Expenses	<u>11,955,997</u>	<u>12,788,746</u>
OPERATING INCOME (LOSS)	<u>\$ (504,014)</u>	<u>\$ 78,406</u>

**RACINE WATER AND WASTEWATER UTILITIES
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES
WASTEWATER UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Personnel Services	\$ 2,908,600	\$ 3,118,045
Contractual Services:		
Building Maintenance	103,783	80,992
Vehicle Maintenance	19,002	15,715
Telephone	8,340	8,552
Natural Gas	232,743	110,655
Electric Services	787,253	930,848
Water and Wastewater Service	344,534	260,454
Sewer System Repairs	5,432	352
Interceptor Maintenance	67,082	89,793
Professional Services	445,987	530,622
Sludge and Grit Disposal	680,296	665,674
Total Contractual Services	2,694,452	2,693,657
Materials and Supplies:		
Operating Chemicals	462,241	416,169
Gasoline and Diesel Fuel	23,585	11,225
Office Supplies	10,519	11,498
Custodial Supplies	16,118	15,160
Laboratory Supplies	81,010	79,461
Plant and System Supplies	163,892	375,605
Sewer Maintenance Supplies	8,505	6,226
Lubricants	29,554	29,342
Computer Supplies	15,033	46,125
Total Materials and Supplies	810,457	990,811
Customer Account Expenses:		
Meter Operations	178,597	176,997
Meter Maintenance	29,450	25,264
Meter Reading	29,545	30,362
Customer Records and Collections	154,187	138,918
Depreciation on Meters	142,683	141,313
Return on Meter Investment	66,167	72,864
Total Customer Account Expenses	600,629	585,718

**RACINE WATER AND WASTEWATER UTILITIES
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES (CONTINUED)
WASTEWATER UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Administrative and General:		
Property and Liability Insurance	\$ 133,613	\$ 105,897
Workers' Compensation Insurance	70,452	52,257
Life Insurance	9,807	12,020
Wisconsin Retirement	193,737	282,217
Impact of WRS Actuarial Estimates	(353,674)	(38,880)
Dues, Publications, and Travel	16,834	15,968
Office Rent	32,163	31,401
Stormwater Fees	37,909	42,517
Medical Expenses	1,203,544	859,662
Impact of OPEB Actuarial Estimates	(847,048)	(471,038)
Safety Programs	21,389	18,834
City Departmental Charges	86,000	83,000
DNR Permit Fee	139,541	136,788
Airport Lease	51,491	50,846
Training Programs	7,030	11,749
Total Administrative and General	<u>802,788</u>	<u>1,193,238</u>
Total Operation and Maintenance Expenses	<u>\$ 7,816,926</u>	<u>\$ 8,581,469</u>

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