

**RACINE WATER AND WASTEWATER UTILITIES**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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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 Financial Statements**

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, 2020 and 2019, and notes to the financial statements, which collectively comprise the entities' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2020 and 2019, 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.

### ***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, 2020 and 2019 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.

### ***Other Matters***

#### ***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 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 notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners  
Racine Water and Wastewater Utilities

The schedules of operating income and schedules of operation and maintenance expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating income and schedules of operation and maintenance expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Wauwatosa, Wisconsin  
May 14, 2021

## **Management's Discussion and Analysis (Racine Water)**

The management discussion and analysis of the Racine Water Utility's financial performance provides an overall review of financial activities for the years ended December 31, 2020 and 2019. This information should be read in conjunction with the financial statements. Rates for the Racine Water Utility are set by the Wisconsin Public Service Commission (PSC) based upon a complicated cost of service study (COSS) depicting all expenses of the Utility. These expenses must be matched by rates in order for the Utility to remain financially viable. Sales have gone down from nearly 8 billion gallons 10 years ago, to under 5 billion gallons just 10 years later. At the same time we have more customer accounts today than we had 10 years ago. The drop is based mainly on the loss of industrial sales along with slight drops in commercial and residential flows through self-imposed conservation due to rising rates. The Utility received approval on an application with the Public Service Commission to increase rates on October 26, 2020. Sales of water in 2020 were 1.3% higher than 2019. Water supply needs were very atypical in 2020 due to the pandemic. Commercial sales were down significantly, industrial sales were flat, and residential sales were up indicating that people tended to be at home much more.

### **2020 Financial Highlights**

The Racine Water Utility's net position increased to \$137.2 from \$102.3 million.

The Racine Water Utility celebrated 134 years in business in 2020. In 2020, physical construction continued on the estimated \$128 million infrastructure needed to support the Foxconn and related development's future needs. The Village of Mt. Pleasant will fund roughly \$100 million of the cost, with the remaining \$28 million funded by Utility rate payers. The Utility continues to replace lead services in its service area. \$750,333 of Utility funds were used to replace public service lines on the Utility side.

### **2019 Financial Highlights**

The Racine Water Utility's net position increased to \$102.3 from \$98.4 million.

The Racine Water Utility celebrated 133 years in business in 2019. In 2019, physical construction continued on the estimated \$128 million infrastructure needed to support the Foxconn and related development's future needs. The Village of Mt. Pleasant will fund roughly \$100 million of the cost, with the remaining \$28 million funded by Utility rate payers. The Utility continues to replace lead services in its service area. \$511,000 of Utility funds were used to replace service lines on the Utility side.

## **Overview of Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditors report and the basic financial statements of the Utility. The financial statements include notes that explain in more detail some of the information in the financial statements. Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the basic audited financial statements and supplementary schedules. The MD&A represents management's examination and analysis of the Utility's financial condition and performance.

The financial statements report contains information about the Utility using full accrual accounting methods as utilized by similar activities in the private sector. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows, and notes to the financial statements.

The **statement of net position** presents the financial position of the Utility on a full accrual historical cost basis. The statement of net position presents information on all of the Utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This statement provides information about the nature and amount of investments in resources (assets and deferred outflows of resources) and the obligations to Utility creditors (liabilities and deferred inflows of resources). Over time, increases and decreases in net position are an indicator of whether the financial position of the Utility is improving or deteriorating. It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utility.

While the statement of net position provides information about the nature and amount of resources and obligations at year end, the **statement of revenues, expenses, and changes in net position** presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility has successfully recovered all its costs through its user fees and other charges, as well as the Utility's profitability and credit worthiness.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The **supplemental schedules** provide more detail than the preceding statements. Detailed information regarding the funded status of the Other Post Employment Benefit Plan and Pension Plan are provided. Detailed operating revenue and expense schedules are provided.

## **Summary of Organization and Business**

The Racine Water Works Commission and its associated Racine Water Utility provide water treatment and distribution services to more than 100,000 people residing in the greater Racine area including, the City of Racine, Village of Mt Pleasant, Village of Caledonia, Village of Sturtevant, Village of North Bay, Village of Wind Point, Village of Elmwood Park and the Town of Somers.

The Racine Water Utility is a municipally owned fiscally independent Public Utility organized under the authority of Section 68.0805 of the Wisconsin State Statutes and the municipal code of the City of Racine under Chapter 98. The Utility is solely financed by service charges operating like a private business entity. The utility has no taxing powers and receives no tax revenues from the City of Racine. Operational and maintenance costs are funded from rates established by the PSC. The acquisition and construction of capital assets are funded by capital contributions from customers, developers, federal or state loans, revenue bond sales and utility revenues. The Utility is currently paying off approximately \$43 million in loans and bond issues as a result of major treatment plant improvements.

The Board of Water Works Commissioners is made up of seven Racine members appointed by the Mayor. The management and operations of the Water Utility is under the direction of the General Manager who is appointed by the Board of Water Works Commissioners.

## Financial Analysis of the Utility

The Utility's financial condition is consistent with prior years with adequate liquid assets as determined and allowed by the PSC, reliable up to date facilities, and systems to meet demand. Management feels that the current financial condition, technical expertise and operating plans will meet the needs of the current and future customer base. Impact fees support the financing of growth related infrastructure improvements. The residential real estate market is currently warming up with new home start ups and young buyers looking for existing homes. The local area is beginning to see redevelopment and new business ventures cropping up and this is a good sign for the local economy. A 2018 amendment to the Mount Pleasant Retail Water agreement sets forth a process that if revenue from new water connections is insufficient to cover deficiency debt that was borrowed over the next twenty years, the Village makes up the difference. If the revenue from new water connections exceeds the scheduled deficiency debt payments, the Village gets paid back anything they had contributed in previous years.

The condensed financial information and associated narrative are intended to provide additional information that is essential to the full understanding of the data provided in the audited financial statement and associated notes.

### Water Utility Condensed Summary of Net Assets

	December 31			Variance of 2020 to 2019	
	2020	2019	2018	Increase (decrease)	
				Dollars	%
Capital assets:					
Net plant in service	\$173,264,835	\$131,878,969	\$130,261,761	\$41,385,866	31.4%
Construction in progress	12,580,062	7,967,346	1,155,914	\$4,612,716	57.9%
Other capital assets	1,843,341	1,843,341	1,843,341	\$0	0.0%
Current, restricted & other assets	26,823,943	38,614,344	23,259,227	(11,790,401)	-30.5%
Total assets	\$214,512,181	\$180,304,000	\$156,520,243	\$34,208,181	19.0%
Deferred outflows	\$4,287,196	\$5,030,164	\$4,296,626	(\$742,968)	-14.8%
Current liabilities	\$19,489,336	\$16,595,860	\$11,876,362	\$2,893,476	17.4%
Long-term Liabilities	57,166,065	63,829,839	49,191,917	(6,663,774)	-10.4%
Total Liabilities	\$76,655,401	\$80,425,699	\$61,068,279	(\$3,770,298)	-4.7%
Deferred inflows	\$4,894,269	\$2,639,712	\$1,374,726	\$2,254,557	85.4%
Net position:					
Invested in capital net of related debt	\$145,820,921	\$106,837,061	\$104,260,213	\$38,983,860	36.5%
Restricted for debt service	3,274,237	2,761,237	3,655,543	\$513,000	18.6%
Unrestricted	(11,845,451)	(7,329,545)	(9,541,892)	(4,515,906)	61.6%
Total net position	\$137,249,707	\$102,268,753	\$98,373,864	\$34,980,954	34.2%

In 2020, net position of the Water Utility increased by \$35.0 million.



### Water Utility Condensed Summary of Revenues & Expenses

	December 31			Variance of 2020 to 2019	
	2020	2019	2018	Increase (decrease)	
				Dollars	%
<b>Revenues:</b>					
Operating Revenue:					
Residential	\$9,032,853	\$8,686,436	\$8,665,475	\$346,417	4.0%
Multi Family Residential	1,493,913	1,540,231	1,549,506	(46,318)	-3.0%
Commercial	1,617,504	1,850,290	1,941,749	(232,786)	-12.6%
Industrial	3,460,030	3,885,049	4,181,465	(425,019)	-10.9%
Public Authority	809,997	910,426	945,495	(100,429)	-11.0%
Fire Protection	2,917,757	2,275,663	2,271,885	642,094	28.2%
Wholesale	1,291,673	1,219,593	1,210,738	72,080	5.9%
All Other	798,577	882,971	877,226	(84,394)	-9.6%
Non-Operating Revenue:					
Interest Income	83,001	151,167	99,525	(68,166)	-45.1%
Residential equivalent connection fees	298,802	212,860	827,287	85,942	40.4%
Gain/(loss) on disposal of fixed asset	0	0	0	0	
Developer capital donations	33,966,616	3,014,759	237,000	30,951,857	1026.7%
Total Revenue	\$55,770,723	\$24,629,445	\$22,807,351	31,141,278	126.4%
<b>Expenses:</b>					
Operating Expenses					
Operation and Maintenance	\$10,187,348	\$10,392,884	\$10,123,895	(\$205,536)	-2.0%
Depreciation	5,495,192	5,138,998	4,960,809	356,194	6.9%
Non-Operating Expenses					
Bond Interest and amortization	1,563,085	1,872,298	1,037,761	(309,213)	-16.5%
Total Expenses	\$17,245,625	\$17,404,180	\$16,122,465	(\$158,555)	-0.9%
Transfers to the City of Racine	\$3,544,144	\$3,330,376	\$3,521,690	\$213,768	6.4%
<b>Net Position:</b>					
Change in Net Position	\$34,980,954	\$3,894,889	\$3,163,196	\$31,086,065	798.1%
Net Position, Beginning of Year	102,268,753	98,373,864	100,539,995	3,894,889	4.0%
Prior Period Adjustment			(5,329,327)		
Net Position, End of Year	\$137,249,707	\$102,268,753	\$98,373,864	\$34,980,954	34.2%

The Water Utility Administrative staff continues to monitor the financial condition of the Utility. The Public Service Commission also did a thorough review with a submitted rate application and approved new rates on October 26, 2020.

### Debt Administration

All scheduled bond payments in 2020 and 2019 were made on time. All requirements of the revenue bond ordinances have also been met as of December 31, 2020. The Utility funds part of the bonds principal and interest payments through the collection of residential equivalent connection charges (Impact fees) and front foot charges. In 2018, the Village of Mount Pleasant has taken over collection of impact fees and has guaranteed a revenue stream to the Racine Utility to cover previous impact fee debt. Additional details on debt can be found in Note 6.

### Water Utility Summary of Outstanding Revenue Bonds

	Principal Balance December 31		Increase (decrease)		Due Within One Year
	2020	2019	Dollars	%	
2005 State Safe Water Revenue Bonds	\$ 4,179,159	\$ 5,164,308	\$ (985,149)	-19%	\$ 1,008,447
2011 Mortgage Revenue Bonds	335,000	660,000	(325,000)	-49%	335,000
2012 Mortgage Revenue Bonds	6,155,000	7,550,000	(1,395,000)	-18%	1,450,000
2015 Mortgage Revenue Bonds	4,095,000	4,745,000	(650,000)	-14%	665,000
2015 State Safe Water Revenue Bonds	1,457,292	1,542,310	(85,018)	-6%	86,421
2016 Mortgage Revenue Bonds	770,000	1,525,000	(755,000)	-50%	770,000
2017 Mortgage Revenue Bonds	5,975,000	6,135,000	(160,000)	-3%	160,000
2019 Mortgage Revenue Bonds	20,000,000	20,000,000	-	0%	25,000
Total Revenue Bonds	\$ 42,966,451	\$ 47,321,618	\$ (4,355,167)	-9%	\$ 4,499,868

### Capital Assets

The Utility funds capital asset additions through a combination of revenue bonds, contributions from developers, capital grants and resources generated through operations. In 2020 the Utility received \$33,966,616 in capital asset donations mostly from the Village of Mt. Pleasant funding the Foxconn TID #5 development.

### Water Utility

	2020			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated	9,810,687	10,376,073	5,763,357	14,423,403
Capital Assets Being Depreciated	203,713,143	47,022,371	965,260	249,770,254
Accumulated Depreciation	(71,834,174)	(5,636,505)	(965,260)	(76,505,419)
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

  

	2019			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated	2,999,255	7,328,934	517,502	9,810,687
Capital Assets Being Depreciated	198,075,226	6,894,899	1,256,982	203,713,143
Accumulated Depreciation	(67,813,465)	(5,277,691)	(1,256,982)	(71,834,174)
Capital Assets Being Depreciated, Net	130,261,761	1,617,208	-	131,878,969
Total Capital Assets	133,261,016	8,946,142	517,502	141,689,656

### **Economic factors influencing the Utility's Future**

It was recently announced that the large Foxconn development will be greatly scaled back from the original plan. However, there are still plans to add up to 1,500 jobs. The water infrastructure is all in place. Hopefully other development will soon occur. A new Aurora Hospital is nearing the end of construction and should open soon. With the end of the pandemic near, we believe an economic upswing is in the immediate future.

### **Contacting the Utility Management**

If you have questions about this report or need additional information, please contact the Racine Water Utility, Administrative Manager, 800 Center Street, Racine, Wisconsin 53403.

## **Management's Discussion and Analysis (Racine Wastewater)**

The management discussion and analysis of the Racine Wastewater Utility's financial performance provides an overall review of financial activities for the years ended December 31, 2020 and 2019. This information should be read in conjunction with the financial statements. The Racine Wastewater Utility has a unique annual analysis based upon the 2002 Intergovernmental Sanitary Sewer Service and Revenue Sharing Agreement. The Utility's financial structure is set up by budgeting an anticipated expenditure for the budget year based upon past experience and any near-term changes. A rate is set for the users of the system based upon this expenditure need. Revenues are highly dependent upon flow received at the wastewater treatment plant, which is highly dependent upon the amount and intensity of rainfall in any given year. An anticipated flow is projected (forecasted) for the upcoming year based upon historical precipitation trends and experience. At the end of the fiscal year, and the end of the year audit, a calculation called a true-up is computed. Revenues can either exceed the forecasted projection or fall short. Expenditures can also exceed or fall short of budgeted amounts. A comparison of actual revenues compared to forecasted and actual expenditures vs. projected expenditures is made at the end of the audited period. If a positive result is experienced, the exceedance is used to reduce rates necessary in the next fiscal budget and rate making process. If a revenue shortfall is experienced, then it is made up in the subsequent fiscal year in rates. This scenario is called the annual true up and was a required exercise in the 2002 sewer agreement. This process keeps the Utility's earnings neutral from year to year and limits any profits or losses the Utility can make or suffer in any given year. Future rates are heavily dependent upon annual flow (revenue) which is controlled by Mother Nature and rainfall ups and downs bringing excess or deficit flows to the treatment plant. Flows for year 2020 were above average, but much less than 2019.

### **2020 Financial Highlights**

The Wastewater Utility's net position increased to \$31.7 from \$29.5 million.

During 2020, the future plant expansion facilities planning effort was still ongoing. Expansion for increased capacity was requested by the Villages of Mt. Pleasant and Caledonia. The Utility will be focusing on deficiency / replacement projects in the first phase that need to be addressed to replace old plant equipment. This would included replacement of the UV disinfectant system, biogas engines and generators, and an aeration blower upgrade. Construction at the plant is expected to begin on these projects in 2022. Additional project requirements will be needed in the wastewater collection system to address peak flow events. These projects are still in planning.

### **2019 Financial Highlights**

The Wastewater Utility's net position increased to \$29.5 from \$28.3 million.

During 2019, a large storage tank project was completed at lift station #2, Brose Park. The cost of the project came to \$12.2 million. The 2.4 million gallon storage tank is to address peak collection system flow issues and help eliminate the flooding of residential basements. Also during 2019 the future plant expansion facilities planning effort was still ongoing. Expansion for increased capacity was requested by the Villages of Mt. Pleasant and Caledonia. Projects to increase plant capacity will not be part of the first phase of plant projects. The current facilities plan provides an assessment of flows and loadings for area growth over the next twenty-year period to the year 2040. As the plant operated at an average of 64% of design average flow, overall plant capacity is sufficient for meeting current regional needs.

## **Overview of Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditors report and the basic financial statements of the Utility. The financial statements include notes that explain in more detail some of the information in the financial statements. Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the basic audited financial statements and supplementary schedules. The MD&A represents management's examination and analysis of the Utility's financial condition and performance.

The financial statements report contains information about the Utility using full accrual accounting methods as utilized by similar activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

The **statement of net position** presents the financial position of the Utility on a full accrual historical cost basis. The statement of net position presents information on all of the Utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This statement provides information about the nature and amount of investments in resources (assets and deferred outflows of resources) and the obligations to Utility creditors (liabilities and deferred inflows of resources). Over time, increases and decreases in net position is an indicator of whether the financial position of the Utility is improving or deteriorating. It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utility.

While the statement of net position provides information about the nature and amount of resources and obligations at year end, the **statement of revenues, expenses, and changes in net position** presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility has successfully recovered all its costs through its user fees and other charges, as well as the Utility's profitability and credit worthiness.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The **supplemental schedules** provide more detail than the preceding statements. Detailed information regarding the funded status of the Other Post Employment Benefit Plan and Pension Plan are provided. Detailed debt repayment schedules are provided for all debt issues. Detailed operating revenue and expense schedules are provided.

## **Summary of Organization and Business**

The Racine Wastewater Commission provides wastewater treatment and conveyance services to more than 100,000 people residing in the greater Racine area including; the City of Racine, Villages of Mt Pleasant, Caledonia, Sturtevant, North Bay, Wind Point, Elmwood Park, and the Town of Somers. The Wastewater Utility also provides a monthly household hazardous waste (HHW) collection service to the residents east of I-94 between the months of April and October of each year. The HHW program is funded by a separate fee of \$3.00 in 2020 per residential property. Separate legal contracts with each of the communities east of I-94 are on record for the provision of this service. The goal of this HHW effort is to break even each year. The beginning balance for the HHW effort in 2020 was \$201,737, revenues were \$167,727, and expenses were \$176,941. This results in a net designed loss of \$9,214 in 2020 with the ending fund balance at \$192,523. The state grant that was received remained the same from \$33,000 in 2019 to \$33,000 in 2020.

The Racine Wastewater Utility is a municipally owned fiscally independent Public Utility organized under the authority of Section 68.0805 of the Wisconsin State Statutes and the municipal code of the City of Racine under Chapter 98. The Utility is solely financed by service charges operating like a private business entity. The utility has no taxing powers and receives no tax revenues from the City of Racine. Operational and maintenance costs are funded from user fees and charges set as rates by the Commission and approved by the Racine City Council on an annual basis as part of the City of Racine budgeting

process. The acquisition and construction of capital assets are funded by capital contributions from parties, customers, federal or state loans, revenue bond sales and utility revenues. The Utility is currently paying off approximately \$26.5 million in state revolving fund loans as a result of a major plant expansion between the years of 2002 and 2010, and the new storage tank completed in 2019.

The Board of Wastewater Commissioners is made up of representatives of the largest contributors of the area to the wastewater plant. There are seven Racine members, two members from Mt. Pleasant, one from Caledonia and one from Sturtevant. The management and operations of the Wastewater Utility is under the direction of the General Manager who is appointed by the Board of Wastewater Commissioners.

The Wastewater Treatment Plant provides primary and secondary treatment with disinfection in accordance with permits issued by the Wisconsin DNR under the control of the USEPA. Treated wastewater is discharged to Lake Michigan and biosolids are land applied onto farmers' fields in the local area to provide nutrients as fertilizer. A 5 year WPDES operating permit was issued on January 1, 2020.

### Financial Analysis of the Utility

The Utility's financial condition is consistent with prior years with adequate liquid assets, reliable up to date facilities, and systems to meet demand as well as reasonable level of unrestricted net position. Management feels that the current financial condition, technical expertise and operating plans will meet the needs of the current and future customer base. The Utility does not receive a Return on Investment (R.O.I.) on assets for future growth that were constructed as part of the plant expansion as these assets are paid for by the individual communities that paid for plant capacity.

The condensed financial information and associated narrative are intended to provide additional information that is essential to the full understanding of the data provided in the audited financial statement and associated notes.

#### Wastewater Utility Condensed Summary of Net Assets

	December 31			Variance of 2020 to 2019	
	2020	2019	2018	Increase (decrease) Dollars	%
Capital assets:					
Net plant in service	\$79,550,671	\$80,785,535	\$71,154,174	(\$1,234,864)	-1.5%
Construction in progress	1,191,567	866,680	7,870,165	\$324,887	37.5%
Other capital assets	316,798	316,798	99,950	\$0	0.0%
Current, restricted & other assets	45,573,216	51,378,561	40,539,233	(5,805,345)	-11.3%
Total assets	\$126,632,252	\$133,347,574	\$119,663,522	(\$6,715,322)	-5.0%
Deferred outflows	\$2,009,531	\$2,252,748	\$1,921,001	(\$243,217)	-10.8%
Current liabilities	\$13,517,864	\$15,040,138	\$13,012,102	(\$1,522,274)	-10.1%
Long-term Liabilities	77,336,663	88,224,927	78,587,514	(10,888,264)	-12.3%
Total Liabilities	\$90,854,527	\$103,265,065	\$91,599,616	(\$12,410,538)	-12.0%
Deferred inflows	\$6,123,907	\$2,802,963	\$1,641,595	\$3,320,944	118.5%
Net position:					
Invested in capital net of related debt	\$54,568,072	\$49,315,276	\$46,485,323	\$5,252,796	10.7%
Restricted for debt service	8,165,437	7,514,778	7,924,403	\$650,659	8.7%
Unrestricted	(31,070,160)	(27,297,760)	(26,066,414)	(3,772,400)	13.8%
Total net position	\$31,663,349	\$29,532,294	\$28,343,312	\$2,131,055	7.2%

In 2020, net position of the Wastewater Utility increased by \$2.1 million.

### Wastewater Utility Condensed Summary of Revenue & Expenses

	December 31			Variance of 2020 to 2019	
	2020	2019	2018	Increase (decrease)	
				Dollars	%
<b>Revenues:</b>					
Operating Revenue:					
Residential	\$3,364,516	\$3,563,590	\$3,457,278	(\$199,074)	-5.6%
Multi family residential	844,617	817,066	790,611	27,551	3.4%
Commercial	892,311	1,018,213	1,027,642	(125,902)	-12.4%
Industrial	453,979	439,401	500,542	14,578	3.3%
Public Authority	352,756	428,063	393,161	(75,307)	-17.6%
Other Municipalities	6,507,759	7,823,879	7,243,451	(1,316,120)	-16.8%
All Other	451,214	565,085	575,950	(113,871)	-20.2%
Non-Operating Revenue:					
Interest Income	49,833	161,657	132,553	(111,824)	-69.2%
Intergovernmental plant capacity income	2,237,444	1,505,825	1,596,392	731,619	48.6%
Household Hazardous Waste Revenue	167,727	230,582	232,032	(62,855)	-27.3%
Other Revenue	19,149	15,289	16,742	3,860	25.2%
Developer Capital donations	1,535,490	0	923,511	1,535,490	#DIV/0!
Total Revenue	\$16,876,795	\$16,568,650	\$16,889,865	308,145	1.9%
<b>Expenses:</b>					
Operating Expenses					
Operation and Maintenance	\$8,848,097	\$9,610,845	\$9,054,893	(\$762,748)	-7.9%
Depreciation	3,940,649	3,821,877	3,720,362	118,772	3.1%
Non-Operating Expenses					
Household Hazardous Waste Expenses	176,941	188,013	174,888	(11,072)	-5.9%
(Gain)/loss on disposal of fixed asset	(1,350)	(9,825)	(10,765)	8,475	
Bond Interest and amortization	668,325	803,969	808,085	(135,644)	-16.9%
Total Expenses	\$13,632,662	\$14,414,879	\$13,747,463	(782,217)	-5.4%
Transfers to the City of Racine	\$1,113,078	\$964,789	\$948,460	\$148,289	15.4%
<b>Net Position:</b>					
Change in Net Position	\$2,131,055	\$1,188,982	\$2,193,942	\$942,073	79.2%
Net Position, Beginning of Year	29,532,294	28,343,312	31,148,980	\$1,188,982	4.2%
Prior Period Adjustment			(4,999,610)		
Net Position, End of Year	\$31,663,349	\$29,532,294	\$28,343,312	\$2,131,055	7.2%

As stated previously the goal of the Wastewater Utility is to break even on an annual basis. The goal is for expenditures to meet revenues on an annual basis. If the balance of these two accounts is positive or negative, a true up is instituted into the next fiscal year's budget revenue expectations in accordance with the 2002 intergovernmental agreement. This financial method assures that no party to the sewer agreement is unfairly charged for sewer service costs provided by the utility. The Utility's ability to show a profit or to show that rates exceed annual anticipated costs is extremely difficult and can provide challenges for future bond financing or being able to meet the revenue requirements of the state revolving loan fund as administered by the State Department of Administration.

## Debt Administration

All scheduled bond payments in 2020 and 2019 were made on time. All requirements of the revenue bond ordinances have also been met as of December 31, 2020. The Utility has a surcharge for only City of Racine residents to fund sewer infrastructure projects within the City limits. In accordance with the 2002 intergovernmental agreement, other municipalities are continuing to contribute on an annual basis to the principal and interest payments of the 2002a, 2002b, 2002c, 2008, 2010, and 2018a & b issues. Additional information regarding long-term debt is available in Note 6. The Utility has established a rate stabilization fund to be used to bolster the impacts of annual fluctuations as a result of the true up provisions in order to maintain required bond coverage. As of December 31, 2020, the fund balance is \$1,200,000 with a \$1,600,000 cap.

### Wastewater Utility Summary of Outstanding Revenue Bonds

	Principal Balance December 31		Increase (decrease)		Due Within One Year
	2020	2019	Dollars	%	
2000 State Clean Water Revenue Bonds	\$ -	\$ 52,410	\$ (52,410)	-100%	\$ -
2002a State Clean Water Revenue Bonds	272,369	537,449	(265,080)	-49%	272,369
2002b State Clean Water Revenue Bonds	2,403,595	3,555,506	(1,151,911)	-32%	1,184,854
2002c State Clean Water Revenue Bonds	8,573,425	12,681,769	(4,108,344)	-32%	4,226,131
2008 State Clean Water Revenue Bonds	1,421,836	1,605,812	(183,976)	-11%	188,529
2010 State Clean Water Revenue Bonds	1,354,906	1,489,717	(134,811)	-9%	137,777
2018a State Clean Water Revenue Bonds	477,632	499,782	(22,150)	-4%	22,564
2018b State Clean Water Revenue Bonds	12,022,224	11,777,604	244,620	2%	567,955
Total Revenue Bonds	\$ 26,525,987	\$ 32,200,049	\$ (5,674,062)	-18%	\$ 6,600,181

## Capital Assets

The Utility funds capital asset additions through a combination of revenue bonds, contributions from developers, capital grants and resources generated through operations.

### Wastewater Utility

	2020			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated	1,183,478	1,094,786	769,899	1,508,365
Capital Assets Being Depreciated	173,243,465	2,718,286	296,771	175,664,980
Accumulated Depreciation	(92,457,930)	(3,940,649)	(284,270)	(96,114,309)
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

  

	2019			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated	7,970,115	1,011,118	7,797,755	1,183,478
Capital Assets Being Depreciated	160,465,805	13,480,736	703,076	173,243,465
Accumulated Depreciation	(89,311,631)	(3,821,877)	(675,578)	(92,457,930)
Capital Assets Being Depreciated, Net	71,154,174	9,658,859	27,498	80,785,535
Total Capital Assets	79,124,289	10,669,977	7,825,253	81,969,013



### **Economic Factors influencing the Utility's Future**

It was recently announced that the large Foxconn development will be greatly scaled back from the original plan. However, there are still plans to add up to 1,500 jobs. The wastewater infrastructure is all in place. Hopefully other development will soon occur. A new Aurora Hospital is nearing the end of construction and should open soon. With the end of the pandemic near, we believe an economic upswing is in the immediate future.

### **Contacting the Utility Management**

If you have questions about this report or need additional information, please contact the Racine Wastewater Utility, Administrative Manager, 800 Center Street, Racine, Wisconsin 53403.

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

<b>ASSETS</b>	Water Utility	Wastewater Utility	Total
<b>CURRENT ASSETS</b>			
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	16,316,844	17,170,744	33,487,588
<b>RESTRICTED ASSETS</b>			
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	10,507,099	28,402,472	38,909,571
<b>CAPITAL ASSETS</b>			
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	173,264,835	79,550,671	252,815,506
Land	1,843,341	316,798	2,160,139
Construction in Progress	12,580,062	1,191,567	13,771,629
Total Capital Assets	187,688,238	81,059,036	268,747,274
<b>Total Assets</b>	214,512,181	126,632,252	341,144,433
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
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	4,287,196	2,009,531	6,296,727

See accompanying Notes to Financial Statements.

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

	Water Utility	Wastewater Utility	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
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
<b>CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS</b>			
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
<b>NONCURRENT LIABILITIES</b>			
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
<b>DEFERRED INFLOWS OF RESOURCES</b>			
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
<b>NET POSITION</b>			
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	\$ 137,249,707	\$ 31,663,349	\$ 168,913,056

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

<b>ASSETS</b>	Water Utility	Wastewater Utility	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 7,671,782	\$ 12,615,393	\$ 20,287,175
Accounts Receivable, Net			
Consumers	4,018,072	2,013,416	6,031,488
Other	166,560	102,140	268,700
Delinquent Billings Receivable - Tax Roll	2,659,845	1,619,578	4,279,423
Due from Other Governments	2,676,545	2,090,370	4,766,915
Due from Other Funds	2,657,976	828,407	3,486,383
Inventories	454,487	74,995	529,482
Prepaid Expenses	23	-	23
Total Current Assets	20,305,290	19,344,299	39,649,589
<b>RESTRICTED ASSETS</b>			
Cash and Cash Equivalents	18,309,054	7,645,397	25,954,451
Plant Capacity Receivable, Current Portion	-	3,443,423	3,443,423
Plant Capacity Receivable, Long-Term Portion	-	20,945,442	20,945,442
Total Restricted Assets	18,309,054	32,034,262	50,343,316
<b>CAPITAL ASSETS</b>			
Utility Plant in Service	203,713,143	173,243,465	376,956,608
Less: Accumulated Depreciation	71,834,174	92,457,930	164,292,104
Net Depreciated Value	131,878,969	80,785,535	212,664,504
Land	1,843,341	316,798	2,160,139
Construction in Progress	7,967,346	866,680	8,834,026
Total Capital Assets	141,689,656	81,969,013	223,658,669
 Total Assets	 180,304,000	 133,347,574	 313,651,574
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	950,249	-	950,249
Deferred Amounts Related to OPEB	2,007,085	742,070	2,749,155
Deferred Amounts Related to Pension	2,072,830	1,510,678	3,583,508
Total Deferred Outflows of Resources	5,030,164	2,252,748	7,282,912

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**DECEMBER 31, 2019**

	Water Utility	Wastewater Utility	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 3,149,019	\$ 581,406	\$ 3,730,425
Retainage Payable	715,412	155,000	870,412
Due to Other Funds	5,999,586	5,646,097	11,645,683
Advances from Other Funds	123,857	110,775	234,632
Accrued Compensated Absences, Current Portion	42,458	19,179	61,637
Other Postemployment Benefits, Current Portion	1,069,911	370,627	1,440,538
Accrued Liabilities	309,335	437,782	747,117
Total Current Liabilities	11,409,578	7,320,866	18,730,444
<b>CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest Payable	556,187	130,619	686,806
Long-Term Debt, Current Portion	4,630,095	6,440,660	11,070,755
Unearned Capacity Revenue, Current Portion	-	1,147,993	1,147,993
Total Current Liabilities - Payable from Restricted Assets	5,186,282	7,719,272	12,905,554
<b>NONCURRENT LIABILITIES</b>			
Accrued Compensated Absences, Less Current Portion Above	572,582	401,320	973,902
Other Postemployment Benefits, Less Current Portion Above	17,379,170	13,018,232	30,397,402
Net Pension Liability	780,751	577,468	1,358,219
Unearned Capacity Revenue, Less Current Portion Above	-	48,468,518	48,468,518
Long-Term Debt, Less Current Portion Above	45,097,336	25,759,389	70,856,725
Total Noncurrent Liabilities	63,829,839	88,224,927	152,054,766
Total Liabilities	80,425,699	103,265,065	183,690,764
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate Stabilization Fund	-	800,000	800,000
Deferred Amounts Related to OPEB	1,526,491	1,178,055	2,704,546
Deferred Amounts Related to Pension	1,113,221	824,908	1,938,129
Total Deferred Inflows of Resources	2,639,712	2,802,963	5,442,675
<b>NET POSITION</b>			
Net Investment in Capital Assets	106,837,061	49,315,276	156,152,337
Restricted	2,761,237	7,514,778	10,276,015
Unrestricted	(7,329,545)	(27,297,760)	(34,627,305)
Total Net Position	<u>\$ 102,268,753</u>	<u>\$ 29,532,294</u>	<u>\$ 131,801,047</u>

See accompanying Notes to Financial Statements.

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

	Water Utility	Wastewater Utility	Total
<b>OPERATING REVENUES</b>	\$ 21,422,304	\$ 12,867,152	\$ 34,289,456
<b>OPERATING EXPENSES</b>			
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>
<b>OPERATING INCOME</b>	5,739,764	78,406	5,818,170
<b>NONOPERATING REVENUES (EXPENSES)</b>			
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
<b>CAPITAL CONTRIBUTIONS</b>			
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>
<b>TRANSFERS OUT</b>	<u>(3,544,144)</u>	<u>(1,113,078)</u>	<u>(4,657,222)</u>
<b>CHANGE IN NET POSITION</b>	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>
<b>NET POSITION - END OF YEAR</b>	<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**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2019**

	Water Utility	Wastewater Utility	Total
<b>OPERATING REVENUES</b>	\$ 21,250,659	\$ 14,655,297	\$ 35,905,956
<b>OPERATING EXPENSES</b>			
Operation and Maintenance Expenses	10,049,121	9,364,512	19,413,633
Bad Debt	21,589	20,967	42,556
Depreciation	5,138,998	3,821,877	8,960,875
Taxes	322,174	225,366	547,540
Total Operating Expenses	<u>15,531,882</u>	<u>13,432,722</u>	<u>28,964,604</u>
<b>OPERATING INCOME</b>	5,718,777	1,222,575	6,941,352
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Earnings	151,167	161,657	312,824
Interest Expense	(2,001,081)	(803,969)	(2,805,050)
Intergovernmental Interest Reimbursement	-	357,832	357,832
Plant Capacity Income	-	1,147,993	1,147,993
Amortization of Premiums and Refunding Loss	128,783	-	128,783
Gain on Disposal of Capital Asset	-	9,825	9,825
Household Hazardous Waste Revenue	-	230,582	230,582
Household Hazardous Waste Expense	-	(188,013)	(188,013)
Miscellaneous Income	-	15,289	15,289
Total Nonoperating Revenues (Expenses)	<u>(1,721,131)</u>	<u>931,196</u>	<u>(789,935)</u>
Income Before Capital Contributions and Transfers	3,997,646	2,153,771	6,151,417
<b>CAPITAL CONTRIBUTIONS</b>			
Residential Equivalent Connection Fees	212,860	-	212,860
Capital Asset Donations	3,014,759	-	3,014,759
Total Capital Contributions	<u>3,227,619</u>	<u>-</u>	<u>3,227,619</u>
<b>TRANSFERS OUT</b>	<u>(3,330,376)</u>	<u>(964,789)</u>	<u>(4,295,165)</u>
<b>CHANGE IN NET POSITION</b>	3,894,889	1,188,982	5,083,871
Net Position - Beginning of Year	<u>98,373,864</u>	<u>28,343,312</u>	<u>126,717,176</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 102,268,753</u>	<u>\$ 29,532,294</u>	<u>\$ 131,801,047</u>

See accompanying Notes to Financial Statements.

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

	Water Utility	Wastewater Utility	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from Customers and Users	\$ 23,385,045	\$ 13,198,608	\$ 36,583,653
Paid to Supplier	(6,222,370)	(6,351,361)	(12,573,731)
Paid to Employee	(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
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
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)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	83,001	49,833	132,834
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(13,029,381)	(963,853)	(13,993,234)
Cash and Cash Equivalents - Beginning of Year	25,980,836	20,260,790	46,241,626
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<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  
STATEMENT 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  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019**

	Water Utility	Wastewater Utility	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received From Customers and Users	\$ 21,228,964	\$ 16,702,324	\$ 37,931,288
Paid to Suppliers	(1,310,829)	(2,022,524)	(3,333,353)
Paid to Employees	(5,962,019)	(4,367,534)	(10,329,553)
Stormwater Fees Collected for Other Funds	4,876,824	-	4,876,824
Stormwater Fees Disbursed to Other Funds	(4,286,432)	-	(4,286,432)
Net Cash Provided by Operating Activities	14,546,508	10,312,266	24,858,774
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers Out	(3,330,376)	(964,789)	(4,295,165)
Principal Paid on Noncapital Debt	-	(457,254)	(457,254)
Interest Paid on Noncapital Debt	-	(6,921)	(6,921)
Repayment of Advances From Other Funds	(120,628)	(107,887)	(228,515)
Interest Paid on Advance From Other Funds	(4,869)	(4,355)	(9,224)
Fiscal Agent Payments on Behalf of Other Governments	(674,542)	(2,090,370)	(2,764,912)
Household Hazardous Waste Program	-	42,569	42,569
Miscellaneous Receipts	-	15,289	15,289
Net Cash Used by Noncapital Financing Activities	(4,130,415)	(3,573,718)	(7,704,133)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Utility Plant	(11,846,618)	(7,467,311)	(19,313,929)
Proceeds From Sale of Capital Assets	-	37,323	37,323
Long-Term Debt Issued	20,000,000	5,413,305	25,413,305
Premium on Long-Term Debt Issued	1,162,099	-	1,162,099
Principal Paid on Long-Term Debt	(4,226,026)	(6,020,076)	(10,246,102)
Interest Paid on Long-Term Debt	(1,755,522)	(804,982)	(2,560,504)
Proceeds From REC and Other Fees	9,738	-	9,738
Intergovernmental Interest Reimbursement	-	357,832	357,832
Proceeds From Plant Capacity Charges	-	3,307,127	3,307,127
Net Cash Provided (Used) by Capital and Related Financing Activities	3,343,671	(5,176,782)	(1,833,111)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	151,167	161,657	312,824
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	13,910,931	1,723,423	15,634,354
Cash and Cash Equivalents - Beginning of Year	12,069,905	18,537,367	30,607,272
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 25,980,836</u>	<u>\$ 20,260,790</u>	<u>\$ 46,241,626</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

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

	Water Utility	Wastewater Utility	Total
Unrestricted	\$ 7,671,782	\$ 12,615,393	\$ 20,287,175
Restricted	18,309,054	7,645,397	25,954,451
Total	<u>\$ 25,980,836</u>	<u>\$ 20,260,790</u>	<u>\$ 46,241,626</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 5,718,777	\$ 1,222,575	\$ 6,941,352
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	5,138,998	3,821,877	8,960,875
Depreciation Charged to Other Funds	138,693	-	138,693
Effects of Changes in Operating Assets and Liabilities:			
Accounts Receivable	(1,113,375)	2,156,671	1,043,296
Inventories	(16,197)	(6,539)	(22,736)
Prepaid Expenses	4,477	-	4,477
Due from Other Funds	(98,814)	(88,677)	(187,491)
Compensated Absences	9,496	(46,854)	(37,358)
Other Postemployment Benefits	(1,417,458)	(726,065)	(2,143,523)
Deferred Outflows of Resources Related to OPEB	(23,877)	259,213	235,336
Deferred Inflows of Resources Related to OPEB	1,522,769	1,000,598	2,523,367
Pension Benefits	1,438,138	1,081,949	2,520,087
Deferred Outflows of Resources Related to Pension	(855,762)	(590,960)	(1,446,722)
Deferred Inflows of Resources Related to Pension	(257,783)	(239,230)	(497,013)
Accounts Payable	2,570,803	(377,068)	2,193,735
Accrued Liabilities	12,419	671,071	683,490
Due to Other Funds	1,775,204	2,173,705	3,948,909
Net Cash Provided by Operating Activities	<u>\$ 14,546,508</u>	<u>\$ 10,312,266</u>	<u>\$ 24,858,774</u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Estimated cost of Water Utility plant installed or financed by developers or customers was \$3,014,759.

Water and Wastewater Utilities reported \$1,067,043 and \$621,542, respectively, of capital assets in accounts payable.

Wastewater Utility reported \$12,898,598 of additional plant capacity.

Water Utility reported \$203,122 of uncollected REC and other fees in accounts receivable.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 and 2019, 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, 2020 AND 2019**

**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 the lower of cost or net realizable value with 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, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 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>

The Utilities had the following deposits as of December 31, 2019.

	Water Utility	Wastewater Utility	Total
Petty Cash	\$ 1,250	\$ -	\$ 1,250
Demand Deposits	22,282,235	13,863,431	36,145,666
Local Government Investment Pool	3,697,351	6,397,359	10,094,710
Total Cash and Cash Equivalents	<u>\$ 25,980,836</u>	<u>\$ 20,260,790</u>	<u>\$ 46,241,626</u>

Reconciliation to the Financial Statements:

Cash and Cash Equivalents:

Unrestricted	\$ 7,671,782	\$ 12,615,393	\$ 20,287,175
Restricted	18,309,054	7,645,397	25,954,451
Total Cash and Cash Equivalents	<u>\$ 25,980,836</u>	<u>\$ 20,260,790</u>	<u>\$ 46,241,626</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019, 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, 2020 and 2019, the Water Utility's carrying value of the deposits was \$9,234,608 and \$22,282,235, respectively, as compared to bank balances of \$9,226,570 and \$22,356,163, respectively. Of the bank balances at December 31, 2020 and 2019, \$500,000 and \$500,000, respectively, was covered by federal depository insurance, and \$8,726,570 and \$21,856,163, respectively, was collateralized by pledged securities. As of December 31, 2020 and 2019, there was no uncollateralized cash.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

**Custodial Credit Risk for Deposits (Continued)**

As of December 31, 2020 and 2019, the Wastewater Utility's carrying value of the deposits was \$12,867,981 and \$13,863,431, respectively, as compared to bank balances of \$12,943,233 and \$13,864,314, respectively. Of the bank balances at December 31, 2020 and 2019, \$500,000 and \$500,000, respectively, was covered by federal depository insurance, and \$12,443,233 and \$13,364,314, respectively, was collateralized by pledged securities. There was no uncollateralized cash as of December 31, 2020 and 2019.

**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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 1.3 and 0.6 months for the years ended December 31, 2020 and 2019, respectively.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 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 Reserve Fund Financed by Bond			
Proceeds	(3,715,597)	-	(3,715,597)
Restricted Net Position	<u>\$ 3,274,237</u>	<u>\$ 8,165,437</u>	<u>\$ 11,439,674</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 RESTRICTED ASSETS (CONTINUED)**

The Utilities had the following restricted assets as of December 31, 2019:

	Water Utility	Wastewater Utility	Total
Cash and Cash Equivalents			
Bond Redemption	\$ 2,517,424	\$ 4,446,754	\$ 6,964,178
Reserve Fund	3,697,351	-	3,697,351
Depreciation Fund	800,000	-	800,000
Capital Improvement Fund	11,294,279	-	11,294,279
Replacement Fund	-	3,198,643	3,198,643
Total Restricted Cash and Cash Equivalents	<u>18,309,054</u>	<u>7,645,397</u>	<u>25,954,451</u>
Plant Capacity Receivable	-	24,388,865	24,388,865
Total Restricted Assets	<u>18,309,054</u>	<u>32,034,262</u>	<u>50,343,316</u>
Reconciliation to Restricted Net Position:			
Plant Capacity Receivable Included in			
Unearned Capacity Revenue	-	(24,388,865)	(24,388,865)
Accrued Interest Payable	(556,187)	(130,619)	(686,806)
Unspent Bond Proceeds in Capital			
Improvement Fund	(11,294,279)	-	(11,294,279)
Bond Redemption Fund Financed by Bond			
Proceeds	(3,697,351)	-	(3,697,351)
Restricted Net Position	<u>\$ 2,761,237</u>	<u>\$ 7,514,778</u>	<u>\$ 10,276,015</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Utility</b>				
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	<u>9,810,687</u>	<u>10,376,073</u>	<u>5,763,357</u>	<u>14,423,403</u>
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	<u>203,713,143</u>	<u>47,022,371</u>	<u>965,260</u>	<u>249,770,254</u>
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	<u>71,834,174</u>	<u>5,636,505</u>	<u>965,260</u>	<u>76,505,419</u>
Total Capital Assets Being Depreciated, Net	<u>131,878,969</u>	<u>41,385,866</u>	<u>-</u>	<u>173,264,835</u>
Total Capital Assets	<u>141,689,656</u>	<u>51,761,939</u>	<u>5,763,357</u>	<u>187,688,238</u>
<b>Wastewater Utility</b>				
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	<u>1,183,478</u>	<u>1,094,786</u>	<u>769,899</u>	<u>1,508,365</u>
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	<u>173,243,465</u>	<u>2,718,286</u>	<u>296,771</u>	<u>175,664,980</u>
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	<u>92,457,930</u>	<u>3,940,649</u>	<u>284,270</u>	<u>96,114,309</u>
Total Capital Assets Being Depreciated, Net	<u>80,785,535</u>	<u>(1,222,363)</u>	<u>12,501</u>	<u>79,550,671</u>
Total Capital Assets	<u>81,969,013</u>	<u>(127,577)</u>	<u>782,400</u>	<u>81,059,036</u>
	<u>\$ 223,658,669</u>	<u>\$ 51,634,362</u>	<u>\$ 6,545,757</u>	<u>\$ 268,747,274</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Utility</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,843,341	\$ -	\$ -	\$ 1,843,341
Construction in Progress	1,155,914	7,328,934	517,502	7,967,346
Total Capital Assets Not Being Depreciated	<u>2,999,255</u>	<u>7,328,934</u>	<u>517,502</u>	<u>9,810,687</u>
Capital Assets Being Depreciated				
Buildings and System	38,840,582	-	77,833	38,762,749
Improvements Other Than Buildings	124,783,427	6,074,645	322,793	130,535,279
Machinery and Equipment	34,451,217	820,254	856,356	34,415,115
Total Capital Assets Being Depreciated	<u>198,075,226</u>	<u>6,894,899</u>	<u>1,256,982</u>	<u>203,713,143</u>
Accumulated Depreciation				
Buildings and System	16,654,020	1,242,527	77,833	17,818,714
Improvements Other Than Buildings	28,209,634	2,259,162	322,793	30,146,003
Machinery and Equipment	22,949,811	1,776,002	856,356	23,869,457
Total Accumulated Depreciation	<u>67,813,465</u>	<u>5,277,691</u>	<u>1,256,982</u>	<u>71,834,174</u>
Total Capital Assets Being Depreciated, Net	<u>130,261,761</u>	<u>1,617,208</u>	<u>-</u>	<u>131,878,969</u>
Total Capital Assets	<u>133,261,016</u>	<u>8,946,142</u>	<u>517,502</u>	<u>141,689,656</u>
<b>Wastewater Utility</b>				
Capital Assets Not Being Depreciated	99,950	216,848	-	316,798
Land	7,870,165	794,270	7,797,755	866,680
Construction in Progress	7,970,115	1,011,118	7,797,755	1,183,478
Total Capital Assets Not Being Depreciated				
Capital Assets Being Depreciated				
Buildings and System	81,940,170	12,206,106	23,048	94,123,228
Improvements Other Than Buildings	28,526,615	688,225	-	29,214,840
Machinery and Equipment	49,999,020	586,405	680,028	49,905,397
Total Capital Assets Being Depreciated	<u>160,465,805</u>	<u>13,480,736</u>	<u>703,076</u>	<u>173,243,465</u>
Accumulated Depreciation				
Buildings and System	41,752,836	1,633,396	23,048	43,363,184
Improvements Other Than Buildings	12,536,529	264,492	-	12,801,021
Machinery and Equipment	35,022,266	1,923,989	652,530	36,293,725
Total Accumulated Depreciation	<u>89,311,631</u>	<u>3,821,877</u>	<u>675,578</u>	<u>92,457,930</u>
Total Capital Assets Being Depreciated, Net	<u>71,154,174</u>	<u>9,658,859</u>	<u>27,498</u>	<u>80,785,535</u>
Total Capital Assets	<u>79,124,289</u>	<u>10,669,977</u>	<u>7,825,253</u>	<u>81,969,013</u>
	<u>\$ 212,385,305</u>	<u>\$ 19,616,119</u>	<u>\$ 8,342,755</u>	<u>\$ 223,658,669</u>



**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 both of the years ended December 31, 2020 and 2019, Racine Wastewater Utility deferred \$400,000 of revenue. As of December 31, 2020 and 2019, the Racine Wastewater Utility had deferred inflow of resources related to the rate stabilization fund of \$1,200,000 and \$800,000, respectively.

**NOTE 6 LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Water Utility</b>					
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
	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 (Asset)	780,751	-	780,751	-	-
Total Long-Term Liabilities	<u>\$ 69,696,160</u>	<u>\$ 43,428</u>	<u>\$ 6,958,461</u>	<u>\$ 62,781,127</u>	<u>\$ 5,615,062</u>
<b>Wastewater Utility</b>					
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 (Asset)	577,468	-	577,468	-	-
Unearned Capacity Revenue	49,616,511	-	1,550,516	48,065,995	1,551,057
Total Long-Term Liabilities	<u>\$ 96,314,161</u>	<u>\$ 803,976</u>	<u>\$ 11,245,677</u>	<u>\$ 85,872,460</u>	<u>\$ 8,535,797</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Water Utility</b>					
Long-Term Debt					
Revenue Bonds	\$ 23,795,000	\$ 20,000,000	\$ 3,180,000	\$ 40,615,000	\$ 3,285,000
Notes from Direct Borrowings and Direct Placements	<u>7,752,644</u>	<u>-</u>	<u>1,046,026</u>	<u>6,706,618</u>	<u>1,070,167</u>
	31,547,644	20,000,000	4,226,026	47,321,618	4,355,167
(Discounts) or Premiums	<u>1,518,600</u>	<u>1,162,099</u>	<u>274,886</u>	<u>2,405,813</u>	<u>274,928</u>
Total Long-Term Debt	<u>33,066,244</u>	<u>21,162,099</u>	<u>4,500,912</u>	<u>49,727,431</u>	<u>4,630,095</u>
Advances from Other Funds	244,485	-	120,628	123,857	123,857
Other Postemployment Benefits	19,866,539	-	1,417,458	18,449,081	1,069,911
Compensated Absences	605,544	58,086	48,590	615,040	42,458
Net Pension Liability (Asset)	<u>(657,387)</u>	<u>1,438,138</u>	<u>-</u>	<u>780,751</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 53,125,425</u>	<u>\$ 22,658,323</u>	<u>\$ 6,087,588</u>	<u>\$ 69,696,160</u>	<u>\$ 5,866,321</u>
<b>Wastewater Utility</b>					
Long-Term Debt					
Notes from Direct Borrowings and Direct Placements	\$ 32,964,074	\$ 5,413,305	\$ 6,177,330	\$ 32,200,049	\$ 6,440,660
Advances from Other Funds	218,662	-	107,887	110,775	110,775
Other Postemployment Benefits	14,414,924	-	1,026,065	13,388,859	370,627
Compensated Absences	467,353	15,455	62,309	420,499	19,179
Net Pension Liability (Asset)	<u>(504,481)</u>	<u>1,081,949</u>	<u>-</u>	<u>577,468</u>	<u>-</u>
Unearned Capacity Revenue	<u>37,865,906</u>	<u>12,898,598</u>	<u>1,147,993</u>	<u>49,616,511</u>	<u>1,147,993</u>
Total Long-Term Liabilities	<u>\$ 85,426,438</u>	<u>\$ 19,409,307</u>	<u>\$ 8,521,584</u>	<u>\$ 96,314,161</u>	<u>\$ 8,089,234</u>

The following issues are outstanding as of December 31, 2020 and 2019:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2020	Balance 12/31/2019
<b>Water Utility</b>						
<u>Notes from Direct Borrowings</u>						
Safe Drinking Water Loan	12/22/2004	5/1/2024	2.365%	\$ 16,666,035	\$ 4,179,159	\$ 5,164,308
Safe Drinking Water Loan	5/27/2015	5/1/2035	1.650%	1,230,346	1,457,292	1,542,310
<u>Revenue Bonds</u>						
Mortgage Revenue Refunding Bonds	10/25/2011	9/1/2021	3.00 - 3.50%	6,500,000	335,000	660,000
Mortgage Revenue Bonds	7/10/2012	9/1/2024	2.00 - 4.00%	14,140,000	6,155,000	7,550,000
Mortgage Revenue Refunding Bonds	9/8/2015	9/1/2026	2.00 - 4.00%	6,590,000	4,095,000	4,745,000
Mortgage Revenue Refunding Bonds	9/7/2016	9/1/2021	2.00 - 3.00%	3,725,000	770,000	1,525,000
Mortgage Revenue Bonds	12/28/2017	9/1/2031	3.00 - 5.00%	6,135,000	5,975,000	6,135,000
Mortgage Revenue Bonds	2/19/2019	9/1/2039	3.00 - 5.00%	20,000,000	20,000,000	20,000,000
Total Water Utility					<u>\$ 42,966,451</u>	<u>\$ 47,321,618</u>
<b>Wastewater Utility</b>						
Clean Water Fund Loans	9/27/2000	5/1/2020	2.970%	\$ 805,113	\$ -	\$ 52,410
Clean Water Fund Loans	4/10/2002	5/1/2021	2.750%	4,073,012	272,369	537,449
Clean Water Fund Loans	12/22/2004	5/1/2021	2.860%	17,943,748	2,403,595	3,555,506
Clean Water Fund Loans	11/27/2002	5/1/2022	2.867%	60,724,848	8,573,425	12,681,769
Clean Water Fund Loans	1/23/2008	5/1/2027	2.480%	3,481,931	1,421,836	1,605,812
Clean Water Fund Loans	3/24/2010	5/1/2029	2.200%	2,524,712	1,354,906	1,489,717
Clean Water Fund Loans	5/23/2018	5/1/2038	1.870%	521,546	477,632	499,782
Clean Water Fund Loans	6/27/2018	5/1/2038	1.870%	13,088,291	12,022,224	11,777,604
Total Wastewater Utility					<u>\$ 26,525,987</u>	<u>\$ 32,200,049</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

The debt service requirements for all debt outstanding as of December 31, 2020 is as follows:

Year	Revenue Bonds			Notes from Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,094,868	\$ 110,245	\$ 1,205,113	\$ 3,405,000	\$ 1,488,769	\$ 4,893,769
2022	1,120,144	84,675	1,204,819	2,680,000	1,370,444	4,050,444
2023	1,146,007	58,511	1,204,518	2,785,000	1,269,894	4,054,894
2024	1,172,472	31,739	1,204,211	2,895,000	1,158,744	4,053,744
2025	92,267	17,438	109,705	2,250,000	1,043,194	3,293,194
2026-2030	484,682	63,651	548,333	9,460,000	3,763,069	13,223,069
2031-2035	526,011	21,982	547,993	7,370,000	2,027,744	9,397,744
2036-2040	-	-	-	6,485,000	624,881	7,109,881
Total	<u>\$ 5,636,451</u>	<u>\$ 388,241</u>	<u>\$ 6,024,692</u>	<u>\$ 37,330,000</u>	<u>\$ 12,746,739</u>	<u>\$ 50,076,739</u>

  

Year	Wastewater Utility		
	Principal	Interest	Total
2021	\$ 6,600,179	\$ 530,219	\$ 7,130,398
2022	6,501,592	350,188	6,851,780
2023	954,694	251,115	1,205,809
2024	974,220	231,087	1,205,307
2025	994,151	211,249	1,205,400
2026-2030	4,429,014	766,340	5,195,354
2031-2035	3,689,005	397,840	4,086,845
2036-2040	2,383,132	67,396	2,450,528
Total	<u>\$ 26,525,987</u>	<u>\$ 2,805,434</u>	<u>\$ 29,331,421</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 \$75.0 million in water system revenue bonds and safe drinking water loans issued between 2004 and 2019. 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 2039. 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 \$56,101,428. Principal and interest paid for the current year and total customer net revenues were \$6,085,168 and \$11,616,759, respectively. Principal and interest paid for the prior year and total net revenues were \$5,981,548 and \$11,221,802, 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**  
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**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

**Revenue Debt (Continued)**

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$103.2 million in clean water fund loans issued between 2000 and 2018. 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 2038. 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 \$29,331,421. Principal and interest paid for the current year and total customer net revenues were \$7,134,702 and \$9,134,596, respectively. Principal and interest paid for the prior year and total net revenues were \$6,989,233 and \$9,092,332, 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:

	2020	2019
Operating Revenues	\$ 12,867,152	\$ 14,655,297
Investment Earnings	49,833	161,657
Household Hazardous Waste Revenues	167,727	230,582
Miscellaneous Income	19,149	15,289
Cash Payments Received Under the Intergovernmental Sanitary Sewer Service Agreement	<u>5,055,773</u>	<u>3,828,365</u>
Gross Revenues	18,159,634	18,891,190
Less: Operation and Maintenance Expense	(9,078,645)	(9,137,000)
Other Postemployment Benefit Expense	497,176	(227,512)
Bad Debt	(23,250)	(20,967)
Taxes	(243,378)	(225,366)
Household Hazardous Waste Expense	(176,941)	(188,013)
Net Revenues	<u>\$ 9,134,596</u>	<u>\$ 9,092,332</u>
Annual Debt Service Payment	<u>\$ 7,107,807</u>	<u>\$ 6,977,395</u>
Coverage Ratio	1.29	1.30

At December 31, 2020 and 2019, the Wastewater Utility was in compliance with the covenant based on the above calculation.

**RACINE WATER AND WASTEWATER UTILITIES**  
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**NOTE 7 NET POSITION**

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	<u>145,820,921</u>	<u>54,568,072</u>
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	<u>3,274,237</u>	<u>8,165,437</u>
Unrestricted	<u>(11,845,451)</u>	<u>(31,070,160)</u>
Total Net Position	<u><u>\$ 137,249,707</u></u>	<u><u>\$ 31,663,349</u></u>

Net position for the year ended December 31, 2019 is as follows:

	Water Utility	Wastewater Utility
Invested in Capital Assets, Net of Related Debt:		
Capital Assets, Net of Accumulated Depreciation	\$ 141,689,656	\$ 81,969,013
Capital Related Long-Term Debt and Other		
Borrowings Outstanding	(34,852,595)	(32,653,737)
Total Invested in Capital Assets	<u>106,837,061</u>	<u>49,315,276</u>
Restricted:		
Debt Service	1,961,237	4,316,135
Depreciation Fund	800,000	-
DNR Equipment Replacement Fund	-	3,198,643
Total Restricted	<u>2,761,237</u>	<u>7,514,778</u>
Unrestricted	<u>(7,329,545)</u>	<u>(27,297,760)</u>
Total Net Position	<u><u>\$ 102,268,753</u></u>	<u><u>\$ 29,532,294</u></u>

Excluded from invested in capital assets, net of related debt, is \$58,505 and \$167,854 of Clean Water Fund Loans that relates to financing of special projects that the Wastewater Utility performs for the City of Racine, Wisconsin, for 2020 and 2019, respectively. These amounts are not used to finance Utility purchases of capital assets.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2020 AND 2019**

**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**General Information about the Pension Plan (Continued)**

Post-Retirement 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
2010	(1.3)	22.0
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)

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 4.63% and 4.65%, respectively, for the years ended December 31, 2020 and 2019.

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 3.54% and 3.44%, respectively, for the years ended December 31, 2020 and 2019.

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**General Information about the Pension Plan (Continued)**

During the reporting period for the years ended December 31, 2020 and 2019, the WRS recognized contributions from the City of Racine that included \$276,260 and \$254,689 in contributions from Water Utility, respectively.

During the reporting period for the years ended December 31, 2020 and 2019, the WRS recognized contributions from the City of Racine that included \$218,840 and \$194,952 in contributions from Wastewater Utility, respectively.

Contribution rates as of December 31, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
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 %

Contribution rates as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers)	6.7 %	6.7 %
Executives and Elected Officials	6.7 %	6.7 %
Protective with Social Security	6.7 %	10.7 %
Protective without Social Security	6.7 %	14.9 %

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

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.



**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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

At December 31, 2019, the Water and Wastewater Utilities reported a liability (asset) of \$780,751 and \$577,468, 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, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the Water and Wastewater Utilities allocated proportion was 0.02194546% and 0.01623157%, respectively, which was a decrease of 0.00019535% and 0.00075936%, respectively, from its proportion measured as of December 31, 2017.

For the years ended December 31, 2020 and 2019, the Water Utility recognized pension expense of \$279,036 and \$579,282, respectively.

For the years ended December 31, 2020 and 2019, the Wastewater Utility recognized pension expense of \$213,588 and \$446,771, respectively.

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>

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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

The \$276,260 and \$218,840 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, 2021 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 & Inflows of Resources
<u>Year Ended December 31,</u>	
2021	\$ (262,511)
2022	(227,665)
2023	(88,691)
2024	(253,742)

	Wastewater Utility Net Amortization of Deferred Outflows & Inflows of Resources
<u>Year Ended December 31,</u>	
2021	\$ (216,997)
2022	(189,420)
2023	(78,031)
2024	(201,637)

**RACINE WATER AND WASTEWATER UTILITIES**  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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

At December 31, 2019, 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	\$ 611,804	\$ 1,111,708
Changes in Assumptions	143,851	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	1,059,082	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,404	1,513
Employer Contributions Subsequent to the Measurement Date	254,689	-
Total	<u>\$ 2,072,830</u>	<u>\$ 1,113,221</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 472,171	\$ 823,791
Changes in Assumptions	106,908	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	734,767	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,880	1,117
Employer Contributions Subsequent to the Measurement Date	194,952	-
Total	<u>\$ 1,510,678</u>	<u>\$ 824,908</u>

Actuarial Assumption – For the year ended December 31, 2019, the total pension liability 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.

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Pension Liabilities (Assets), Pension Expense, 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, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

For the year ended December 31, 2018, the total pension asset in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
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, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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**  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Pension Liabilities (Assets), Pension Expense, 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, 2019:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
<u>Variable Fund Asset Class</u>			
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.

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, 2018:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	49.0%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9.0	6.5	3.9
Private Equity/Debt	8.0	9.4	6.7
Multi-Asset	4.0	6.7	4.1
Total Core Fund	110.0%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	7.6%	5.0%
International Equities	30.0	8.5	5.9
Total Variable Funds	100.0%	8.0%	5.4%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%

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

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Pension Liabilities (Assets), Pension Expense, 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 2.75% (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, 2019. 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, 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)

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 8 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Pension Liabilities (Assets), Pension Expense, 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, 2018 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)	\$ 3,102,785	\$ 780,751	\$ (945,862)
Wastewater Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,294,919	\$ 577,468	\$ (699,590)

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, 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
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
Total Due to Other Funds	<u>\$ 6,220,342</u>	<u>\$ 4,341,861</u>

**RACINE WATER AND WASTEWATER UTILITIES**  
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**NOTE 9 INTERFUND RECEIVABLES/PAYABLES (CONTINUED)**

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2019 as follows:

	Water Utility	Wastewater Utility
Due from City of Racine	\$ 1,807,447	\$ 21,742
Due from Wastewater Utility	850,529	-
Due from Water Utility	-	806,665
	<u>          </u>	<u>          </u>
Total Due From Other Funds	<u>\$ 2,657,976</u>	<u>\$ 828,407</u>
Due to City of Racine	\$ 5,192,921	\$ 4,795,568
Due to Wastewater Utility	806,665	-
Due to Water Utility	-	850,529
	<u>          </u>	<u>          </u>
Total Due to Other Funds	<u>\$ 5,999,586</u>	<u>\$ 5,646,097</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, 2020 and 2019, the Wastewater Utility has accrued a liability of \$122,486 and \$283,544, respectively, to cover future claims. At December 31, 2020 and 2019, the Water Utility has accrued a liability of \$112,363 and \$108,103, 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  
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**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 \$1,147,993 for the years ended December 31, 2020 and 2019, 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 \$1,057,788 and \$911,048 for 2020 and 2019, respectively, are reported as transfers to other funds in the statement of revenues, expenses, and changes in net position.

**RACINE WATER AND WASTEWATER UTILITIES  
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**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 \$298,802 and \$212,860 of REC fee revenue for years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, 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, 2020 and 2019, the Utility reported an outstanding receivable from the Village in due from other governments on the statements of net position of \$3,895,157 and \$1,605,646, 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, 2020 and 2019, the Utility received \$591,043 and \$-0- of shortfall payments from the Village, which are included in due to other governments on the statements of net position at December 31, 2020 and 2019, 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 \$513,036 and \$-0- of REC fees, which are included in due to other governments on the statements of net position at December 31, 2020 and 2019, respectively.

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 13 COMMITMENTS**

There were no significant commitments at December 31, 2020 and 2019 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, 2020 and 2019 the Wastewater Utility had unrecovered cost/(excess collections) of (\$2,795,148) and (\$4,410,229), 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 \$50,846 and \$49,824 in 2020 and 2019, respectively.

Future minimum payments under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 35,000
2022	35,000
2023	35,000
2024	35,000
2025	35,000
Thereafter	910,000
Total	<u>\$ 1,085,000</u>

**NOTE 16 MAJOR CUSTOMERS**

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.

Two major customers accounted for 30.0% and 21.4% of Wastewater Utility gross sales aggregating \$7,182,767 in 2019. Total customer accounts receivable from these customers were not significant to the Utility's operations as of December 31, 2019.

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 16 MAJOR CUSTOMERS (CONTINUED)**

One major customer accounted for 12.8% of Water Utility gross sales aggregating \$2,741,628 and 14.0% of gross sales aggregating \$2,965,698 in 2020 and 2019, respectively. Total accounts receivable from this customer were not significant to the Utility's operations as of December 31, 2020 and 2019.

**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.

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, 2020, the Water and Wastewater Utilities contributed \$1,159,613 and \$440,467 to the plan, respectively. For the year ended December 31, 2019, the Water and Wastewater Utilities contributed \$861,236 and \$413,929 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, 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.

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

**General Information (Continued)**

At December 31, 2019, the Water and Wastewater reported OPEB liabilities of \$18,220,769 and \$13,165,783, respectively, that were measured by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018.

**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:

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

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net OPEB Liability:	December 31, 2018
Salary Increases	
Inflation:	3.2%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Actuarial Cost Method	Entry Age Normal

The actuarial assumptions used in the December 31, 2019 were based upon an experience study conducted in 2018 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.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the years 2012-2014. This information was rolled forward to determine the valuation as of December 31, 2018.

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

**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, 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>

The following presents the changes in the total OPEB liability of the Utility for the year ended December 31, 2019:

	Water Utility	Wastewater Utility	Total
Balance as of December 31, 2018	\$ 19,602,340	\$ 14,145,667	\$ 33,748,007
Changes for the Year:			
Service Cost	450,916	253,093	704,009
Interest on Total OPEB Liability	675,144	488,258	1,163,402
Effect of Economic/Demographic (Gains) or Losses	181,652	(135,863)	45,789
Effect of Assumptions Changes or Inputs	(1,828,047)	(1,171,443)	(2,999,490)
Benefit Payments	(861,236)	(413,929)	(1,275,165)
Balance as of December 31, 2019	<u>\$ 18,220,769</u>	<u>\$ 13,165,783</u>	<u>\$ 31,386,552</u>

**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, 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

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

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2019, 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 (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1% Decrease to Discount Rate (3.10%)	Current Discount Rate (4.10%)	1% Increase to Discount Rate (5.10%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 21,096,776	\$ 18,220,769	\$ 15,890,043
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 15,001,307	\$ 13,165,783	\$ 11,645,368

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:

	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

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2019, 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	\$ 15,519,531	\$ 18,220,769	\$ 21,641,983
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 11,452,478	\$ 13,165,783	\$ 15,254,908

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

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

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

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Continued)**

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

For the year ended December 31, 2019, the Water Utility recognized total OPEB expense of \$81,434, of which \$64,001 was recognized from the Retiree Health Plan.

For the year ended December 31, 2019, the Wastewater Utility recognized total OPEB expense of \$233,746, of which \$227,512 was recognized from the Retiree Health Plan.

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>



**RACINE WATER AND WASTEWATER UTILITIES**  
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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 \$802,683 and \$341,586 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, 2021 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 as follows:

<u>Year Ended December 31,</u>	<u>Water Utility Net Amortization of Deferred Outflows &amp; Inflows of Resources</u>
2021	\$ (327,968)
2022	(327,968)
2023	(564,669)
2024	(260,930)
2025	(190,859)
Thereafter	(91,747)

<u>Year Ended December 31,</u>	<u>Wastewater Utility Net Amortization of Deferred Outflows &amp; Inflows of Resources</u>
2021	\$ (802,583)
2022	(874,851)
2023	(658,462)
2024	(558,013)

**RACINE WATER AND WASTEWATER UTILITIES  
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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, 2019, 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	\$ 314,952	\$ -
Changes in Assumptions	580,209	1,465,339
Employer Contributions Subsequent to the Measurement Date	1,069,911	-
Total	<u>\$ 1,965,072</u>	<u>\$ 1,465,339</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 223,642
Changes in Assumptions	329,189	894,506
Employer Contributions Subsequent to the Measurement Date	370,627	-
Total	<u>\$ 699,816</u>	<u>\$ 1,118,148</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 post-employment life insurance benefits for all eligible members.

**OPEB Plan Fiduciary Net Position**

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

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

**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  
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**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, 2020 and 2019 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
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, 2019 and 2018 are as listed below:

Life Insurance Employee Contribution Rates For the years ended December 31, 2019 and 2018			
<u>Attained Age</u>	<u>Basic</u>		<u>Supplemental</u>
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, 2019, the LRLIF recognized \$1,690 and \$1,768 in contributions from the Water and Wastewater Utilities, respectively.

During the reporting period ended December 31, 2018, the LRLIF recognized \$1,613 and \$1,728 in contributions from the Water and Wastewater Utilities, respectively.

**RACINE WATER AND WASTEWATER UTILITIES  
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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**

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.

At December 31, 2019, the Water and Wastewater Utilities reported a liability of \$228,312 and \$223,076, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the Water and Wastewater Utilities allocated proportion was 0.08848113% and 0.08645246%, respectively, which was an increase of 0.00066656% and a decrease of 0.00304378%, respectively, from its proportion measured as of December 31, 2017.

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

For the year ended December 31, 2019, the Water Utility recognized total OPEB expense of \$81,434, of which \$17,433 was from the LRLIF plan.

For the year ended December 31, 2019, the Wastewater Utility recognized total OPEB expense of \$233,746, of which \$6,234 was from the LRLIF plan.

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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>

**RACINE WATER AND WASTEWATER UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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)**

\$1,690 and \$1,613 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, 2021. 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>	<u>Water Utility Net Amortization of Deferred Outflows &amp; Inflows of Resources</u>
2021	\$ 18,254
2022	18,254
2023	17,475
2024	16,672
2025	13,720
Thereafter	20,522

<u>Year Ended December 31,</u>	<u>Wastewater Utility Net Amortization of Deferred Outflows &amp; Inflows of Resources</u>
2021	\$ 18,030
2022	18,030
2023	17,263
2024	16,472
2025	13,564
Thereafter	20,220

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2019, 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	\$ -	\$ 11,663
Changes of Actuarial Assumptions	22,342	-
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	5,522	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	12,381	49,489
Employer Contributions Subsequent to the Measurement Date	1,768	-
Total	<u>\$ 42,013</u>	<u>\$ 61,152</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Projected and Actual Experiences	\$ -	\$ 11,553
Changes of Actuarial Assumptions	22,904	-
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	5,524	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	12,098	48,354
Employer Contributions Subsequent to the Measurement Date	1,728	-
Total	<u>\$ 42,254</u>	<u>\$ 59,907</u>

**Actuarial Assumptions**

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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

The total OPEB liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability:	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

**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, 2020 AND 2019**

**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, 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%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current 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.

**Local OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December, 2018**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

**Single Discount Rate**

A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. 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, 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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2018 calculated using the discount rate of 4.22%, 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 (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 324,788	\$ 228,312	\$ 153,901
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 317,341	\$ 223,076	\$ 150,373

**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://etf.wi.gov/publications/cafr.htm>.

**NOTE 19 SUBSEQUENT EVENTS**

On February 11, 2021, the Water Utility issued \$19,890,000 of Waterworks System Mortgage Revenue Bonds, with maturity dates between September 1, 2022 and September 1, 2041. The bonds carry an interest rate of 1-5% and that become payable commencing on September 1, 2021 and semi-annually thereafter on March 1 and September 1 of each year. The bonds will be issued for the public purpose of financing extensions, additions, and improvements to the City's Waterworks System.

**RACINE WATER AND WASTEWATER UTILITIES  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2020**

**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\*

	2020	2019	2018	2017	2016	2015
<b>Water Utility</b>						
The Utility's Allocation of the City of Racine's Proportion of the Net Pension Liability (Asset)	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)	\$ (719,902)	\$ 780,751	\$ (657,387)	\$ 192,006	\$ 376,148	\$ (399,185)
The Utility's Covered Payroll	\$ 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)	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	-20.16%	19.81%	-18.14%	5.43%	10.78%	-11.45%
<b>Wastewater Utility</b>						
The Utility's Allocation of the City of Racine's Proportion of the Net Pension Liability (Asset)	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)	\$ (551,050)	\$ 577,468	\$ (504,481)	\$ 144,528	\$ 282,533	\$ (284,502)
The Utility's Covered Payroll	\$ 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)	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	-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\*

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

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

<b>Total OPEB Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Water Utility</b>			
Service Cost	\$ 323,382	\$ 450,916	\$ 395,004
Interest on Total OPEB Liability	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	(1,762,749)	(1,828,047)	961,925
Benefit Payments	(1,159,613)	(861,236)	(943,479)
Net Change in Total OPEB Liability	(1,529,637)	(1,381,571)	1,380,262
Total OPEB Liability, Beginning	18,220,769	19,602,340	18,222,078
Total OPEB Liability, Ending	<u>\$ 16,691,132</u>	<u>\$ 18,220,769</u>	<u>\$ 19,602,340</u>
 Covered - Employee Payroll**	 \$ 4,375,234	 \$ 4,190,746	 \$ 3,941,246
Utility's Net OPEB Liability as a Percentage of Covered Payroll**	381.49%	434.79%	497.36%
 <b>Wastewater Utility</b>			
Service Cost	\$ 178,650	\$ 253,093	\$ 223,562
Interest on Total OPEB Liability	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	(1,251,752)	(1,171,443)	624,425
Benefit Payments	(440,467)	(413,929)	(306,959)
Net Change in Total OPEB Liability	(2,631,167)	(979,884)	820,013
Total OPEB Liability, Beginning	13,165,783	14,145,667	13,325,654
Total OPEB Liability, Ending	<u>\$ 10,534,616</u>	<u>\$ 13,165,783</u>	<u>\$ 14,145,667</u>
 Covered - Employee Payroll**	 \$ 3,337,077	 \$ 3,099,532	 \$ 2,905,858
Utility's Net OPEB Liability as a Percentage of Covered Payroll**	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, 2020**

**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\*

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

**Schedule of the Utilities' OPEB Contributions**

Local Retiree Life Insurance Fund

Last Ten Fiscal Years\*

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
for the year ended December 31, 2020**

*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.* Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions section above for additional details.

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

*Changes of assumptions - Health.* Several actuarial assumptions changed from the prior year, including the mortality assumptions, seniority/merit increases, and expected inflation. Please refer to the Actuarial Assumptions section above for additional details.

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

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATING INCOME  
WATER UTILITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Sales of Water:		
Metered Sales to General Customers:		
Residential	\$ 9,032,853	\$ 8,686,436
Multi-Family Residential	1,493,913	1,540,231
Commercial	1,617,504	1,850,290
Industrial	3,460,030	3,885,049
Public Authorities	809,997	910,426
Total Metered Sales	<u>16,414,297</u>	<u>16,872,432</u>
Unmetered Sales	146,420	142,555
Private Fire Protection	290,819	287,431
Public Fire Protection	2,626,938	1,988,232
Sales for Resale	1,291,673	1,219,593
Total Sales of Water	<u>20,770,147</u>	<u>20,510,243</u>
Other Operating Revenues:		
Forfeited Discounts	286,490	375,760
Miscellaneous Service Revenues	72,864	76,052
Search Revenues	33,776	28,938
Other Water Revenues	259,027	259,666
Total Other Operating Revenues	<u>652,157</u>	<u>740,416</u>
Total Operating Revenues	<u>21,422,304</u>	<u>21,250,659</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses:		
Personnel Services	3,610,329	3,638,410
Contractual Services	3,323,217	2,535,739
Materials and Supplies	885,668	916,029
Administrative and General	2,003,392	2,958,943
Total Operation and Maintenance Expenses	<u>9,822,606</u>	<u>10,049,121</u>
Bad Debt	29,583	21,589
Depreciation	5,495,192	5,138,998
Taxes	335,159	322,174
Total Operating Expenses	<u>15,682,540</u>	<u>15,531,882</u>
<b>OPERATING INCOME</b>	<u><u>\$ 5,739,764</u></u>	<u><u>\$ 5,718,777</u></u>



**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
WATER UTILITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Personnel Services	\$ 3,610,329	\$ 3,638,410
Contractual Services:		
Equipment Maintenance	122,431	83,588
Building Maintenance	53,951	104,484
Vehicle Maintenance	70,082	37,073
Telephone	24,235	24,123
Natural Gas	92,350	101,337
Electric Services	727,655	704,282
Water and Wastewater Services	362,782	360,664
Street Repairs	389,663	249,917
Main Maintenance	540,230	6,391
Meter Maintenance	-	221
Professional Services	510,239	444,198
Computer Maintenance	107,710	74,675
Water storage Maintenance	321,889	344,786
Total Contractual Services	<u>3,323,217</u>	<u>2,535,739</u>
Materials and Supplies:		
Operating Chemicals	312,072	345,371
Pipe and Fittings	65,620	40,499
Meter Parts	3,259	6,908
Gasoline and Diesel Fuel	46,044	59,944
Office Supplies	26,829	29,786
Custodial Supplies	15,610	13,713
Laboratory Supplies	41,824	38,208
Equipment Supplies	74,097	68,441
Building Supplies	70,796	69,570
Construction and Meter Supplies	44,320	52,927
Street Repair Supplies	84,759	90,034
Postage	39,981	39,140
Safety Supplies	22,056	17,901
Computer Supplies	38,401	43,587
Total Materials and Supplies	<u>885,668</u>	<u>916,029</u>
Administrative and General:		
Property and Liability Insurance	73,828	213,912
Workers' Compensation Insurance	118,788	129,304
Medical Expenses	1,366,986	1,867,557
Life Insurance	15,492	30,294
Wisconsin Retirement	288,564	579,396
Training Programs	6,521	19,808
Dues, Publications, and Travel	12,953	18,781
Office Rent	31,887	30,982
Stormwater Fees	12,393	15,660
PSC Expenses	75,980	53,249
Total Administrative and General	<u>2,003,392</u>	<u>2,958,943</u>
Total Operation and Maintenance Expenses	<u>\$ 9,822,606</u>	<u>\$ 10,049,121</u>

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATING INCOME  
WASTEWATER UTILITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Metered Sales to General Customers:		
Residential	\$ 3,364,516	\$ 3,563,590
Multi-Family Residential	844,617	817,066
Commercial	892,311	1,018,213
Industrial	453,979	439,401
Municipal	6,507,759	7,823,879
Public Authorities	352,756	428,063
Total Metered Sales to General Customers	<u>12,415,938</u>	<u>14,090,212</u>
Other Operating Revenues:		
Forfeited Discounts	206,727	300,069
Other Sewer Revenues	<u>244,487</u>	<u>265,016</u>
Total Operating Revenues	<u>12,867,152</u>	<u>14,655,297</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses:		
Personnel Services	3,118,045	2,938,605
Contractual Services	2,693,657	2,475,561
Materials and Supplies Expense	990,811	823,525
Customer Account Expenses	585,718	578,593
Administrative and General	1,193,238	2,548,228
Total Operation and Maintenance Expenses	<u>8,581,469</u>	<u>9,364,512</u>
Bad Debt	23,250	20,967
Depreciation	3,940,649	3,821,877
Taxes	<u>243,378</u>	<u>225,366</u>
Total Operating Expenses	<u>12,788,746</u>	<u>13,432,722</u>
<b>OPERATING INCOME</b>	<u><u>\$ 78,406</u></u>	<u><u>\$ 1,222,575</u></u>

**RACINE WATER AND WASTEWATER UTILITIES**  
**SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES**  
**WASTEWATER UTILITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Personnel Services	\$ 3,118,045	\$ 2,938,605
Contractual Services:		
Building Maintenance	80,992	87,206
Vehicle Maintenance	15,715	22,378
Telephone	8,552	9,270
Natural Gas	110,655	160,429
Electric Services	930,848	919,761
Water and Wastewater Service	260,454	249,609
Sewer System Repairs	352	9,421
Interceptor Maintenance	89,793	112,348
Professional Services	530,622	259,162
Sludge and Grit Disposal	665,674	645,977
Total Contractual Services	2,693,657	2,475,561
Materials and Supplies:		
Operating Chemicals	416,169	332,947
Gasoline and Diesel Fuel	11,225	20,475
Office Supplies	11,498	14,752
Custodial Supplies	15,160	16,177
Laboratory Supplies	79,461	87,759
Plant and System Supplies	375,605	264,775
Sewer Maintenance Supplies	6,226	6,469
Lubricants	29,342	30,635
Computer Supplies	46,125	49,536
Total Materials and Supplies	990,811	823,525
Customer Account Expenses:		
Meter Operations	176,997	174,574
Meter Maintenance	25,264	22,824
Meter Reading	30,362	26,307
Customer Records and Collections	138,918	140,143
Depreciation on Meters	141,313	138,693
Return on Meter Investment	72,864	76,052
Total Customer Account Expenses	585,718	578,593

**RACINE WATER AND WASTEWATER UTILITIES**  
**SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES (CONTINUED)**  
**WASTEWATER UTILITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Administrative and General:		
Property and Liability Insurance	\$ 105,897	\$ 97,552
Workers' Compensation Insurance	52,257	50,920
Life Insurance	12,020	27,637
Wisconsin Retirement	243,337	446,710
Dues, Publications, and Travel	15,968	30,885
Office Rent	31,401	30,510
Stormwater Fees	42,517	39,043
Medical Expenses	388,624	1,527,965
Safety Programs	18,834	23,980
City Departmental Charges	83,000	83,000
DNR Permit Fee	136,788	132,018
Airport Lease	50,846	49,824
Training Programs	11,749	8,184
Total Administrative and General	<u>1,193,238</u>	<u>2,548,228</u>
 Total Operation and Maintenance Expenses	 <u><u>\$ 8,581,469</u></u>	 <u><u>\$ 9,364,512</u></u>