

**RACINE WATER AND WASTEWATER UTILITIES**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2025 AND 2024**



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**RACINE WATER AND WASTEWATER UTILITIES  
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YEARS ENDED DECEMBER 31, 2025 AND 2024**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Racine Water and Wastewater Utilities  
Racine, Wisconsin

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Racine Water and Wastewater Utilities' basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Emphasis-of-Matter***

As discussed in Note 1, the financial statements present only the Racine Water and Wastewater Utilities, and do not purport to and do not present fairly the financial position of the City of Racine, Wisconsin, as of December 31, 2025 and 2024 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. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

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

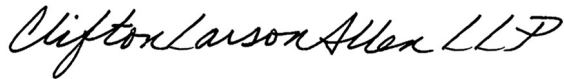
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinions on the basic financial statements are not affected by this missing information.

***Supplementary Information***

Our audits were 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 for the Water Utility and the Wastewater Utility are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of operating income for the Water Utility and the Wastewater Utility, as presented in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2026, on our consideration of the Racine Water and Wastewater Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Racine Water and Wastewater Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Racine Water and Wastewater Utilities' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Wauwatosa, Wisconsin  
May 18, 2026

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2025**

<b>ASSETS</b>	Water Utility	Wastewater Utility	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 9,507,665	\$ 9,667,012	\$ 19,174,677
Accounts Receivable, Net:			
Consumers	5,222,583	1,925,409	7,147,992
Other	338,252	89,608	427,860
Delinquent Billings Receivable - Tax Roll	3,373,140	3,151,779	6,524,919
Leases Receivable, Current Portion	190,535	-	190,535
Notes Receivable, Current Portion	-	645,126	645,126
Due from Other Governments	1,555,544	-	1,555,544
Due from Other Funds	1,681,700	742,806	2,424,506
Inventories	557,614	128,309	685,923
Total Current Assets	22,427,033	16,350,049	38,777,082
<b>RESTRICTED ASSETS</b>			
Cash and Cash Equivalents	13,760,830	6,131,815	19,892,645
Plant Capacity Receivable, Current Portion	-	1,358,815	1,358,815
Plant Capacity Receivable, Long-Term Portion	-	12,947,390	12,947,390
Total Restricted Assets	13,760,830	20,438,020	34,198,850
<b>NONCURRENT ASSET</b>			
Leases Receivable, Long-Term Portion	4,529,104	-	4,529,104
Notes Receivable, Long-Term Portion	-	364,201	364,201
Utility Plant in Service	349,885,176	186,687,740	536,572,916
Less: Accumulated Depreciation and Amortization	(104,256,862)	(112,136,283)	(216,393,145)
Net Depreciated and Amortized Value	245,628,314	74,551,457	320,179,771
Land	1,843,341	461,855	2,305,196
Construction in Progress	22,038,468	32,615,463	54,653,931
Total Noncurrent Assets	274,039,227	107,992,976	382,032,203
 Total Assets	 310,227,090	 144,781,045	 455,008,135
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	179,684	-	179,684
Deferred Amounts Related to Health OPEB	1,832,376	515,379	2,347,755
Deferred Amounts Related to Life OPEB	121,090	126,879	247,969
Deferred Amounts Related to Pension	2,340,452	1,615,344	3,955,796
Total Deferred Outflows of Resources	4,473,602	2,257,602	6,731,204

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2025**

<b>LIABILITIES</b>	Water Utility	Wastewater Utility	Total
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 5,521,937	\$ 2,127,232	\$ 7,649,169
Retainage Payable	901,615.0	1,000,733	1,902,348
Due to Other Funds	7,356,556	2,286,884	9,643,440
Other Postemployment Benefits-Health, Current Portion	613,285	444,894	1,058,179
Leases Payable, Current Portion	-	12,320	12,320
Accrued Liabilities	<u>257,827</u>	<u>203,641</u>	<u>461,468</u>
Total Current Liabilities	14,651,220	6,075,704	20,726,924
<b>CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest Payable	497,856	121,518	619,374
Long-Term Debt, Current Portion	3,699,520	2,187,418	5,886,938
Unearned Capacity Revenue, Current Portion	<u>-</u>	<u>1,725,088</u>	<u>1,725,088</u>
Total Current Liabilities - Payable from Restricted Assets	4,197,376	4,034,024	8,231,400
<b>NONCURRENT LIABILITIES</b>			
Accrued Compensated Absences	539,114	423,650	962,764
Net Pension Liability	350,384	248,102	598,486
Other Postemployment Benefits-Health, Less Current Portion Above	11,910,943	6,513,794	18,424,737
Other Postemployment Benefits-Life	291,956	241,052	533,008
Leases Payable, Less Current Portion	-	1,727,458	1,727,458
Unearned Capacity Revenue, Less Current Portion Above	-	43,379,922	43,379,922
Long-Term Debt, Less Current Portion Above	<u>50,395,390</u>	<u>34,044,539</u>	<u>84,439,929</u>
Total Noncurrent Liabilities	63,487,787	86,578,517	150,066,304
 Total Liabilities	 82,336,383	 96,688,245	 179,024,628
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate Stabilization Fund	-	500,000	500,000
Deferred Amounts Related to Leases	4,296,824	-	4,296,824
Deferred Amounts Related to Health OPEB	3,293,793	2,129,571	5,423,364
Deferred Amounts Related to Life OPEB	214,312	196,803	411,115
Deferred Amounts Related to Pension	<u>1,280,203.00</u>	<u>933,131</u>	<u>2,213,334</u>
Total Deferred Inflows of Resources	9,085,132	3,759,505	12,844,637
<b>NET POSITION</b>			
Net Investment in Capital Assets	219,842,928	67,669,294	287,512,222
Restricted for Debt Service	1,927,523	2,222,337	4,149,860
Restricted for Capital Projects	6,185,805	3,787,960	9,973,765
Unrestricted	<u>(4,677,079)</u>	<u>(27,088,694)</u>	<u>(31,765,773)</u>
Total Net Position	<u>\$ 223,279,177</u>	<u>\$ 46,590,897</u>	<u>\$ 269,870,074</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2024**

	Water Utility	Wastewater Utility	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 13,342,795	\$ 10,649,785	\$ 23,992,580
Accounts Receivable, Net:			
Consumers	4,899,108	1,831,884	6,730,992
Other	296,454	172,050	468,504
Delinquent Billings Receivable - Tax Roll	3,461,023	1,828,416	5,289,439
Leases Receivable, Current Portion	142,975	-	142,975
Notes Receivable, Current Portion	-	536,174	536,174
Due from Other Governments	1,259,498	1,594,231	2,853,729
Due from Other Funds	795,132	974,394	1,769,526
Inventories	485,293	125,286	610,579
Total Current Assets	24,682,278	17,712,220	42,394,498
<b>RESTRICTED ASSETS</b>			
Cash and Cash Equivalents	14,783,340	4,676,596	19,459,936
Plant Capacity Receivable, Current Portion	-	1,046,086	1,046,086
Plant Capacity Receivable, Long-Term Portion	-	9,669,417	9,669,417
Total Restricted Assets	14,783,340	15,392,099	30,175,439
<b>NONCURRENT ASSET</b>			
Leases Receivable, Long-Term Portion	3,058,652	-	3,058,652
Notes Receivable, Long-Term Portion	-	385,737	385,737
Utility Plant in Service	336,727,447	185,937,175	522,664,622
Less: Accumulated Depreciation and Amortization	(97,545,049)	(109,068,362)	(206,613,411)
Net Depreciated and Amortized Value	239,182,398	76,868,813	316,051,211
Land	1,843,340	461,855	2,305,195
Construction in Progress	12,894,870	17,597,665	30,492,535
Total Noncurrent Assets	256,979,260	95,314,070	352,293,330
 Total Assets	 296,444,878	 128,418,389	 424,863,267
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	219,739	-	219,739
Deferred Amounts Related to Health OPEB	2,448,702	1,221,231	3,669,933
Deferred Amounts Related to Life OPEB	140,905	143,032	283,937
Deferred Amounts Related to Pension	3,083,252	2,138,071	5,221,323
Total Deferred Outflows of Resources	5,892,598	3,502,334	9,394,932

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2024**

	Water Utility	Wastewater Utility	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 2,806,113	\$ 1,663,094	\$ 4,469,207
Retainage Payable	633,666	543,761	1,177,427
Due to Other Funds	6,464,414	1,285,947	7,750,361
Due to Other Governments	3,524,893	-	3,524,893
Other Postemployment Benefits-Health, Current Portion	578,796	343,520	922,316
Leases Payable, Current Portion	-	10,173	10,173
Accrued Liabilities	193,400	127,936	321,336
Total Current Liabilities	14,201,282	3,974,431	18,175,713
<b>CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest Payable	526,748	91,364	618,112
Long-Term Debt, Current Portion	3,457,480	1,718,943	5,176,423
Unearned Capacity Revenue, Current Portion	-	1,551,057	1,551,057
Total Current Liabilities - Payable from Restricted Assets	3,984,228	3,361,364	7,345,592
<b>NONCURRENT LIABILITIES</b>			
Accrued Compensated Absences	543,972	378,862	922,834
Net Pension Liability	317,556	227,086	544,642
Other Postemployment Benefits-Health, Less Current Portion Above	13,364,612	7,381,510	20,746,122
Other Postemployment Benefits-Life	359,722	269,120	628,842
Leases Payable, Less Current Portion	-	1,739,777	1,739,777
Unearned Capacity Revenue, Less Current Portion Above	-	40,725,909	40,725,909
Long-Term Debt, Less Current Portion Above	49,231,245	26,737,090	75,968,335
Total Noncurrent Liabilities	63,817,107	77,459,354	141,276,461
Total Liabilities	82,002,617	84,795,149	166,797,766
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate Stabilization Fund	-	500,000	500,000
Deferred Amounts Related to Leases	2,897,686	-	2,897,686
Deferred Amounts Related to Health OPEB	3,059,877	2,574,488	5,634,365
Deferred Amounts Related to Life OPEB	182,311	170,382	352,693
Deferred Amounts Related to Pension	1,914,884	1,382,537	3,297,421
Total Deferred Inflows of Resources	8,054,758	4,627,407	12,682,165
<b>NET POSITION</b>			
Net Investment in Capital Assets	205,943,244	63,191,576	269,134,820
Restricted for Debt Service	1,827,038	955,878	2,782,916
Restricted for Capital Projects	5,960,296	3,629,354	9,589,650
Unrestricted	(1,450,477)	(25,278,641)	(26,729,118)
Total Net Position	\$ 212,280,101	\$ 42,498,167	\$ 254,778,268

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2025**

	Water Utility	Wastewater Utility	Total
<b>OPERATING REVENUES</b>	\$ 25,814,840	\$ 14,080,913	\$ 39,895,753
<b>OPERATING EXPENSES</b>			
Operation and Maintenance Expenses	10,283,153	9,952,078	20,235,231
Bad Debt	85,162	57,397	142,559
Depreciation	7,268,206	3,085,699	10,353,905
Taxes	391,366	260,864	652,230
Total Operating Expenses	<u>18,027,887</u>	<u>13,356,038</u>	<u>31,383,925</u>
<b>OPERATING INCOME</b>	7,786,953	724,875	8,511,828
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Earnings	994,103	560,914	1,555,017
Interest Expense	(1,617,757)	(722,433)	(2,340,190)
Intergovernmental Interest Reimbursement	-	987,916	987,916
Plant Capacity Income	-	1,725,088	1,725,088
Amortization of Premiums and Refunding Loss	155,116	-	155,116
Household Hazardous Waste Revenue	-	136,481	136,481
Household Hazardous Waste Expense	-	(211,725)	(211,725)
Gain/(Loss) on Disposal of Capital Assets	-	(5,363)	(5,363)
Intergovernmental Grants	1,583,393	-	1,583,393
Customer Grants Awarded	(1,583,393)	-	(1,583,393)
Miscellaneous Income	-	290,274	290,274
Total Nonoperating Revenues (Expenses)	<u>(468,538)</u>	<u>2,761,152</u>	<u>2,292,614</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	7,318,415	3,486,027	10,804,442
<b>CAPITAL CONTRIBUTIONS</b>			
Residential Equivalent Connection Fees	379,969	-	379,969
Capital Asset Donations	7,085,087	1,737,414	8,822,501
Total Capital Contributions	<u>7,465,056</u>	<u>1,737,414</u>	<u>9,202,470</u>
<b>TRANSFERS OUT</b>	<u>(3,784,395)</u>	<u>(1,130,711)</u>	<u>(4,915,106)</u>
<b>CHANGE IN NET POSITION</b>	10,999,076	4,092,730	15,091,806
Net Position - Beginning of Year	<u>212,280,101</u>	<u>42,498,167</u>	<u>254,778,268</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 223,279,177</u>	<u>\$ 46,590,897</u>	<u>\$ 269,870,074</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2024**

	Water Utility	Wastewater Utility	Total
<b>OPERATING REVENUES</b>	\$ 24,926,629	\$ 14,831,268	\$ 39,757,897
<b>OPERATING EXPENSES</b>			
Operation and Maintenance Expenses	9,934,478	8,757,697	18,692,175
Bad Debt	55,476	42,724	98,200
Depreciation and Amortization	6,997,633	3,896,879	10,894,512
Taxes	376,646	238,526	615,172
Total Operating Expenses	<u>17,364,233</u>	<u>12,935,826</u>	<u>30,300,059</u>
<b>OPERATING INCOME</b>	7,562,396	1,895,442	9,457,838
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Earnings	945,027	649,497	1,594,524
Interest Expense	(1,651,970)	(536,655)	(2,188,625)
Intergovernmental Interest Reimbursement	-	306,269	306,269
Plant Capacity Income	-	1,551,057	1,551,057
Amortization of Premiums and Refunding Loss	224,536	-	224,536
Household Hazardous Waste Revenue	-	184,457	184,457
Household Hazardous Waste Expense	-	(157,797)	(157,797)
Gain on Disposal of Capital Asset	-	-	-
Miscellaneous Income	-	529,001	529,001
Total Nonoperating Revenues (Expenses)	<u>(482,407)</u>	<u>2,525,829</u>	<u>2,043,422</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	7,079,989	4,421,271	11,501,260
<b>CAPITAL CONTRIBUTIONS</b>			
Residential Equivalent Connection Fees	98,872	-	98,872
Capital Asset Donations	6,207,194	704,997	6,912,191
Total Capital Contributions	<u>6,306,066</u>	<u>704,997</u>	<u>7,011,063</u>
<b>TRANSFERS OUT</b>	<u>(3,270,868)</u>	<u>(1,129,983)</u>	<u>(4,400,851)</u>
<b>CHANGE IN NET POSITION</b>	10,115,187	3,996,285	14,111,472
Net Position - Beginning of Year	<u>202,164,914</u>	<u>38,501,882</u>	<u>240,666,796</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 212,280,101</u>	<u>\$ 42,498,167</u>	<u>\$ 254,778,268</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2025**

	Water Utility	Wastewater Utility	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from Customers and Users	\$ 26,635,693	\$ 12,920,658	\$ 39,556,351
Paid to Supplier	(4,873,612)	(4,100,229)	(8,973,841)
Paid to Employee	(5,896,004)	(4,926,732)	(10,822,736)
Stormwater Fees Collected for Other Funds	6,370,530	-	6,370,530
Stormwater Fees Disbursed to Other Funds	(5,822,353)	-	(5,822,353)
Net Cash Provided by Operating Activities	<u>16,414,254</u>	<u>3,893,697</u>	<u>20,307,951</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers Out	(3,784,395)	(1,130,711)	(4,915,106)
Fiscal Agent Receipts/(Payments) from/to Other Governments	(296,046)	1,594,231	1,298,185
Household Hazardous Waste Program	-	(75,244)	(75,244)
Miscellaneous Receipts	-	290,274	290,274
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(4,080,441)</u>	<u>678,550</u>	<u>(3,401,891)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Utility Plant	(17,002,220)	(13,600,609)	(30,602,829)
Lease payments received	(1,518,012)	-	(1,518,012)
Long-Term Debt Issued	4,863,665	9,526,755	14,390,420
Principal Paid on Long-Term Debt	(3,262,267)	(1,750,831)	(5,013,098)
Interest Paid on Long-Term Debt	(1,646,691)	(642,465)	(2,289,156)
Principal Paid on Leases	-	(10,172)	(10,172)
Interest Paid on Leases	-	(49,814)	(49,814)
Proceeds from REC and Other Fees	379,969	-	379,969
Receipts from Other Governments	-	(87,416)	(87,416)
Intergovernmental Interest Reimbursement	-	987,916	987,916
Proceeds from Plant Capacity Charges	-	962,430	962,430
Net Cash Used by Capital and Related Financing Activities	<u>(18,185,556)</u>	<u>(4,660,715)</u>	<u>(22,846,271)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>994,103</u>	<u>560,914</u>	<u>1,555,017</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,857,640)</u>	<u>472,446</u>	<u>(4,385,194)</u>
Cash and Cash Equivalents - Beginning of Year	<u>28,126,135</u>	<u>15,326,381</u>	<u>43,452,516</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 23,268,495</u></u>	<u><u>\$ 15,798,827</u></u>	<u><u>\$ 39,067,322</u></u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2025**

Cash and cash equivalents are presented on the Statements of Net Position as follows:

	Water Utility	Wastewater Utility	Total
Unrestricted	\$ 9,507,665	\$ 9,667,012	\$ 19,174,677
Restricted	13,760,830	6,131,815	19,892,645
Total	<u>\$ 23,268,495</u>	<u>\$ 15,798,827</u>	<u>\$ 39,067,322</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 7,786,953	\$ 724,875	\$ 8,511,828
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	7,268,206	3,085,699	10,353,905
Depreciation Charged to other Funds	153,565	-	153,565
Effects of Changes in Operating Assets and Liabilities:			
Accounts Receivable	(277,390)	(1,334,446)	(1,611,836)
Deferred Inflows of Resources Related to Leases	1,399,138	-	1,399,138
Inventories	(72,321)	(3,023)	(75,344)
Due from Other Funds	(886,568)	231,588	(654,980)
Compensated Absences	(4,858)	44,788	39,930
Other Postemployment Benefits	(1,486,946)	(794,410)	(2,281,356)
Deferred Outflows of Resources Related to OPEB	636,141	722,005	1,358,146
Deferred Inflows of Resources Related to OPEB	265,917	(418,496)	(152,579)
Pension Benefits	32,828	21,016	53,844
Deferred Outflows of Resources Related to Pension	742,800	522,727	1,265,527
Deferred Inflows of Resources Related to Pension	(634,681)	(449,406)	(1,084,087)
Rate Stabilization Deferred Inflow	-	-	-
Accounts Payable	4,059,794	464,138	4,523,932
Accrued Liabilities	64,427	75,705	140,132
Due to Other Funds	892,142	1,000,937	1,893,079
Due to Other Governments	(3,524,893)	-	(3,524,893)
Net Cash Provided by Operating Activities	<u>\$ 16,414,254</u>	<u>\$ 3,893,697</u>	<u>\$ 20,307,951</u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Estimated cost of Water and Wastewater Utility plant installed or financed by developers or customers was \$7,085,087 and \$1,737,414, respectively.

Water and Wastewater Utilities reported \$901,615 and \$1,987,746, respectively, of capital assets in accounts and retainage payable.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2024**

	Water Utility	Wastewater Utility	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from Customers and Users	\$ 25,650,765	\$ 14,961,162	\$ 40,611,927
Paid to Suppliers	(4,857,145)	(11,178,009)	(16,035,154)
Paid to Employees	(6,366,942)	(4,677,388)	(11,044,330)
Stormwater Fees Collected for Other Funds	6,370,530	-	6,370,530
Stormwater Fees Disbursed to Other Funds	(5,822,353)	-	(5,822,353)
Net Cash Provided (Used) by Operating Activities	14,974,855	(894,235)	14,080,620
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers Out	(3,270,868)	(1,129,983)	(4,400,851)
Fiscal Agent Receipts from Other Governments	(272,607)	77,236	(195,371)
Household Hazardous Waste Program	-	26,660	26,660
Miscellaneous Receipts	-	529,001	529,001
Net Cash Used by Noncapital Financing Activities	(3,543,475)	(497,086)	(4,040,561)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Utility Plant	(16,039,797)	(10,235,325)	(26,275,122)
Lease payments received	213,666	-	213,666
Long-Term Debt Issued	3,979,619	7,859,272	11,838,891
Principal Paid on Long-Term Debt	(3,917,473)	(1,211,134)	(5,128,607)
Interest Paid on Long-Term Debt	(1,683,284)	(468,218)	(2,151,502)
Principal Paid on Leases	-	(8,139)	(8,139)
Interest Paid on Leases	-	(50,101)	(50,101)
Proceeds from REC and Other Fees	98,872	-	98,872
Receipts from Other Governments	-	(494,044)	(494,044)
Intergovernmental Interest Reimbursement	-	306,269	306,269
Proceeds From Plant Capacity Charges	-	969,694	969,694
Net Cash Used by Capital and Related Financing Activities	(17,348,397)	(3,331,726)	(20,680,123)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	945,027	649,497	1,594,524
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
	(4,971,990)	(4,073,550)	(9,045,540)
Cash and Cash Equivalents - Beginning of Year	33,098,125	19,399,931	52,498,056
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>			
	<u>\$ 28,126,135</u>	<u>\$ 15,326,381</u>	<u>\$ 43,452,516</u>

See accompanying Notes to Financial Statements.

**RACINE WATER AND WASTEWATER UTILITIES  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2024**

Cash and cash equivalents are presented on the Statements of Net Position as follows:

	Water Utility	Wastewater Utility	Total
Unrestricted	\$ 13,342,795	\$ 10,649,785	\$ 23,992,580
Restricted	14,783,340	4,676,596	19,459,936
Total	<u>\$ 28,126,135</u>	<u>\$ 15,326,381</u>	<u>\$ 43,452,516</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 7,562,396	\$ 1,895,442	\$ 9,457,838
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	6,997,633	3,896,879	10,894,512
Depreciation Charged to Other Funds	147,077	-	147,077
Effects of Changes in Operating Assets and Liabilities:			
Accounts Receivable	(609,798)	(246,696)	(856,494)
Deferred Inflows of Resources Related to Leases	(275,089)	-	(275,089)
Inventories	51,855	27,135	78,990
Due from Other Funds	(8,813)	(80,686)	(89,499)
Compensated Absences	(11,520)	(11,178)	(22,698)
Other Postemployment Benefits	1,036,817	(1,957,819)	(921,002)
Deferred Outflows of Resources Related to OPEB	(345,717)	818,889	473,172
Deferred Inflows of Resources Related to OPEB	(705,076)	382,122	(322,954)
Pension Benefits	(881,653)	(646,375)	(1,528,028)
Deferred Outflows of Resources Related to Pension	1,330,749	953,833	2,284,582
Deferred Inflows of Resources Related to Pension	(635,429)	(454,401)	(1,089,830)
Rate Stabilization Deferred Inflow	-	500,000	500,000
Accounts Payable	1,135,539	378,604	1,514,143
Accrued Liabilities	(51,073)	11,280	(39,793)
Due to Other Funds	335,829	(6,361,264)	(6,025,435)
Due to Other Governments	(98,872)	-	(98,872)
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,974,855</u>	<u>\$ (894,235)</u>	<u>\$ 14,080,620</u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Estimated cost of Water and Wastewater Utility plant installed or financed by developers or customers was \$6,207,194 and \$704,997, respectively.

Water and Wastewater Utilities reported \$1,977,636 and \$1,530,774, respectively, of capital assets in accounts and retainage payable.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Racine Water and Wastewater Utilities (the 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 are presented using the economic resources measurement focus and 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, 2025 AND 2024**

**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, 2025 and 2024, 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, 2025 AND 2024**

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

**Notes Receivable**

Notes receivable is composed of shares of the 6<sup>th</sup> Street Interceptor Sewer Replacement project due from the Village of Mount Pleasant, the Village of Caledonia, and the Village of Sturdevant. At December 31, 2025 and 2024, notes receivable totaled \$1,009,327 and \$921,911, respectively.

Based on the payment schedule for notes receivable, \$364,201 of the amounts reported in the wastewater fund is not expected to be collected within the next year.

**Due from Other Governments**

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

**Inventories**

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

**Prepaid Expenses**

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

**Interfund Transactions**

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

**Restricted Assets**

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

**Operations**

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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**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 are capitalized and reported at cost or estimated historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 below). The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend its life are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

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
Right-of-Use Land and Improvements	25 to 50 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 an individual asset 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**

The Utilities recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, one type of leave qualify for liability recognition for compensated absences –sick leave. The liability for compensated absences is reported as incurred. The liability for compensated absences includes salary-related benefits, where applicable.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**Compensated Absences (Continued)**

Vacation

Vacation is recorded as expense when paid. Vacation pay is earned monthly during the calendar year and is forfeited if not taken by the end of the year.

Sick Leave

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.

**Leases**

Leases Payable

The Wastewater Utility is a lessee for noncancellable leases land and improvements. The Wastewater Utility recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Wastewater Utility recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Wastewater Utility initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Wastewater Utility determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Wastewater Utility uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Wastewater Utility generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Wastewater Utility is reasonably certain to exercise.

The Wastewater Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**Leases (Continued)**

**Leases Receivable**

The Water Utility is a lessor for a noncancellable lease of equipment. The Water Utility recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Water Utility initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Water Utility determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Water Utility uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Water Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Pensions**

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset),
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions,
- Pension Expense (Revenue)

Information about the fiduciary net position of the WRS and additions to/deductions from 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, 2025 AND 2024**

**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 following:

- Net OPEB Liability (Asset),
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs, and
- OPEB Expense (Revenue).

Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Utilities will pay a portion of health insurance premiums for employees retiring under certain conditions. Eligibility and benefit provisions are based on contractual agreements with employee union contracts or employee benefit policies. The Utilities funds these benefits on a pay-as-you-go basis. The Utilities have obtained an actuarial evaluation to determine the cost of these benefits, including the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense.

**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.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**Equity Classifications**

The difference between all other elements in a statement of net 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.
- 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, 2025.

	Water Utility	Wastewater Utility	Total
Petty Cash	\$ 1,250	\$ -	\$ 1,250
Demand Deposits	12,731,794	8,192,704	20,924,498
Local Government Investment Pool	10,535,451	7,576,123	18,111,574
Total Cash and Cash Equivalents	<u>\$ 23,268,495</u>	<u>\$ 15,768,827</u>	<u>\$ 39,037,322</u>
Reconciliation to the Financial Statements:			
Cash and Cash Equivalents:			
Unrestricted	\$ 9,507,665	\$ 9,667,012	\$ 19,174,677
Restricted	13,760,830	6,131,815	19,892,645
Total Cash and Cash Equivalents	<u>\$ 23,268,495</u>	<u>\$ 15,798,827</u>	<u>\$ 39,067,322</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

The Utilities had the following deposits as of December 31, 2024.

	Water Utility	Wastewater Utility	Total
Petty Cash	\$ 1,250	\$ -	\$ 1,250
Demand Deposits	18,030,563	8,067,478	26,098,041
Local Government Investment Pool	10,094,322	7,258,903	17,353,225
Total Cash and Cash Equivalents	<u>\$ 28,126,135</u>	<u>\$ 15,326,381</u>	<u>\$ 43,452,516</u>
Reconciliation to the Financial Statements:			
Cash and Cash Equivalents:			
Unrestricted	\$ 13,342,795	\$ 10,649,785	\$ 23,992,580
Restricted	14,783,340	4,676,596	19,459,936
Total Cash and Cash Equivalents	<u>\$ 28,126,135</u>	<u>\$ 15,326,381</u>	<u>\$ 43,452,516</u>

**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.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**Custodial Credit Risk for Deposits**

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 \$1,000,000 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, 2025 and 2024, 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.

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, 2025 and 2024, the Water Utility's carrying value of the deposits was \$12,688,338 and \$18,030,563, respectively, as compared to bank balances of \$13,060,556 and \$18,015,548, respectively. Of the bank balances at December 31, 2025 and 2024, \$750,000 and \$750,000, respectively, was covered by federal depository insurance, and \$12,310,556 and \$17,265,548 respectively, was collateralized by pledged securities. As of December 31, 2025 and 2024, there was no uncollateralized cash.

As of December 31, 2025 and 2024, the Wastewater Utility's carrying value of the deposits was \$8,150,516 and \$8,067,478, respectively, as compared to bank balances of \$8,156,426 and \$8,148,238, respectively. Of the bank balances at December 31, 2025 and 2024, \$500,000 and \$500,000, respectively, was covered by federal depository insurance, and \$7,656,426 and \$7,648,238, respectively, was collateralized by pledged securities. There was no uncollateralized cash as of December 31, 2025 and 2024.

**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, 2025 and 2024, the Utilities held investments in the Local Government Investment Pool which is not rated.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**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, 2025 and 2024, 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, 2025 and 2024, 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 0.4 and 0.3 months for the years ended December 31, 2025 and 2024, respectively.

**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 for identical financial assets and liabilities.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**Fair Value Measurements (Continued)**

*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.

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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 3 RESTRICTED ASSETS (CONTINUED)**

The Utilities had the following restricted assets as of December 31, 2025:

	Water Utility	Wastewater Utility	Total
Cash and Cash Equivalents:			
Bond Redemption	\$ 2,425,379	\$ 2,343,855	\$ 4,769,234
Reserve Fund	5,149,646	-	5,149,646
Depreciation Fund	800,000	-	800,000
Capital Improvement Fund	-	-	-
Replacement Fund	5,385,805	3,787,960	9,173,765
Total Restricted Cash and Cash Equivalents	13,760,830	6,131,815	19,892,645
Plant Capacity Receivable	-	14,306,205	14,306,205
Total Restricted Assets	13,760,830	20,438,020	34,198,850
Reconciliation to Restricted Net Position:			
Plant Capacity Receivable Included in			
Unearned Capacity Revenue	-	(14,306,205)	(14,306,205)
Accrued Interest Payable	(497,856)	(121,518)	(619,374)
Unspent Bond Proceeds in Capital			
Improvement Fund	-	-	-
Bond Reserve Fund Financed by Bond Proceeds	(5,149,646)	-	(5,149,646)
Restricted Net Position	\$ 8,113,328	\$ 6,010,297	\$ 14,123,625

The Utilities had the following restricted assets as of December 31, 2024:

	Water Utility	Wastewater Utility	Total
Cash and Cash Equivalents:			
Bond Redemption	\$ 2,353,786	\$ 1,047,242	\$ 3,401,028
Reserve Fund	4,934,026	-	4,934,026
Depreciation Fund	800,000	-	800,000
Capital Improvement Fund	1,535,232	-	1,535,232
Replacement Fund	5,160,296	3,629,354	8,789,650
Total Restricted Cash and Cash Equivalents	14,783,340	4,676,596	19,459,936
Plant Capacity Receivable	-	10,715,503	10,715,503
Total Restricted Assets	14,783,340	15,392,099	30,175,439
Reconciliation to Restricted Net Position:			
Plant Capacity Receivable Included in			
Unearned Capacity Revenue	-	(10,715,503)	(10,715,503)
Accrued Interest Payable	(526,748)	(91,364)	(618,112)
Unspent Bond Proceeds in Capital			
Improvement Fund	(1,535,232)	-	(1,535,232)
Bond Redemption Fund Financed by Bond Proceeds	(4,934,026)	-	(4,934,026)
Restricted Net Position	\$ 7,787,334	\$ 4,585,232	\$ 12,372,566

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the Utilities for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Water Utility</b>					
Capital Assets Not Being Depreciated/Amortized:					
Land	\$ 1,843,341	\$ -	\$ -	\$ -	\$ 1,843,341
Construction in Progress	12,894,870	24,673,937	15,530,339	-	22,038,468
Total Capital Assets Not Being Depreciated/Amortized	14,738,211	24,673,937	15,530,339	-	23,881,809
Capital Assets Being Depreciated/Amortized:					
Buildings and System	41,334,363	62,494	-	(883,938)	40,512,919
Improvements Other Than Buildings	253,601,315	13,012,034	421,505	101,668	266,293,512
Machinery and Equipment	41,791,768	871,953	367,246	782,270	43,078,745
Total Capital Assets Being Depreciated	336,727,446	13,946,481	788,751	-	349,885,176
Accumulated Depreciation/Amortization:					
Buildings and System	20,924,765	1,288,663	-	2,886,747	25,100,175
Improvements Other Than Buildings	45,676,402	4,226,030	421,505	171,308	49,652,235
Machinery and Equipment	30,943,882	1,985,871	367,246	(3,058,055)	29,504,452
Total Accumulated Depreciation/Amortization	97,545,049	7,500,564	788,751	-	104,256,862
Total Capital Assets Being Depreciated/Amortized, Net	239,182,397	6,445,917	-	-	245,628,314
Total Capital Assets	253,920,608	31,119,854	15,530,339	-	269,510,123
<b>Wastewater Utility</b>					
Capital Assets Not Being Depreciated/Amortized:					
Land	461,855	-	-	-	461,855
Construction in Progress	17,597,665	15,794,996	777,198	-	32,615,463
Total Capital Assets Not Being Depreciated/Amortized	18,059,520	15,794,996	777,198	-	33,077,318
Capital Assets Being Depreciated/Amortized:					
Buildings and System	94,685,414	443,843	-	-	95,129,257
Improvements Other Than Buildings	40,754,311	-	-	-	40,754,311
Machinery and Equipment	48,727,880	333,355	26,633	-	49,034,602
Right of Use Lease Land and Improvements	1,769,570	-	-	-	1,769,570
Total Capital Assets Being Depreciated	185,937,175	777,198	26,633	-	186,687,740
Accumulated Depreciation/Amortization:					
Buildings and System	52,204,817	1,726,708	-	69,346	54,000,871
Improvements Other Than Buildings	14,019,163	386,034	-	311,744	14,716,941
Machinery and Equipment	42,623,186	919,404	19,524	(381,090)	43,141,976
Right of Use Lease Land and Improvements	221,196	55,299	-	-	276,495
Total Accumulated Depreciation/Amortization	109,068,362	3,087,445	19,524	-	112,136,283
Total Capital Assets Being Depreciated/Amortized, Net	76,868,813	(2,310,247)	7,109	-	74,551,457
Total Capital Assets	94,928,333	13,484,749	784,307	-	107,628,775
Total	\$ 348,848,941	\$ 44,604,603	\$ 16,314,646	\$ -	\$ 377,138,898

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the Utilities for the year ended December 31, 2024, 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	5,593,555	12,123,353	4,822,038	12,894,870
Total Capital Assets Not Being Depreciated	<u>7,436,896</u>	<u>12,123,353</u>	<u>4,822,038</u>	<u>14,738,211</u>
Capital Assets Being Depreciated:				
Buildings and System	41,304,294	2,426,929	2,396,860	41,334,363
Improvements Other Than Buildings	240,538,359	13,251,326	188,370	253,601,315
Machinery and Equipment	41,574,662	1,028,698	811,592	41,791,768
Total Capital Assets Being Depreciated	<u>323,417,315</u>	<u>16,706,953</u>	<u>3,396,822</u>	<u>336,727,446</u>
Accumulated Depreciation:				
Buildings and System	22,026,475	1,295,150	2,396,860	20,924,765
Improvements Other Than Buildings	41,867,371	3,988,009	178,978	45,676,402
Machinery and Equipment	29,778,934	1,870,195	705,247	30,943,882
Total Accumulated Depreciation	<u>93,672,780</u>	<u>7,153,354</u>	<u>3,281,085</u>	<u>97,545,049</u>
Total Capital Assets Being Depreciated, Net	<u>229,744,535</u>	<u>9,553,599</u>	<u>115,737</u>	<u>239,182,397</u>
Total Capital Assets	237,181,431	21,676,952	4,937,775	253,920,608
<b>Wastewater Utility</b>				
Capital Assets Not Being Depreciated:				
Land	316,798	145,057	-	461,855
Construction in Progress	12,741,508	12,339,485	7,483,328	17,597,665
Total Capital Assets Not Being Depreciated	<u>13,058,306</u>	<u>12,484,542</u>	<u>7,483,328</u>	<u>18,059,520</u>
Capital Assets Being Depreciated:				
Buildings and System	94,456,812	287,468	58,866	94,685,414
Improvements Other Than Buildings	34,180,701	6,573,610	-	40,754,311
Machinery and Equipment	48,650,630	232,218	154,968	48,727,880
Right of Use Lease Land and Improvements	1,769,570	-	-	1,769,570
Total Capital Assets Being Depreciated	<u>179,057,713</u>	<u>7,093,296</u>	<u>213,834</u>	<u>185,937,175</u>
Accumulated Depreciation:				
Buildings and System	50,498,899	1,764,784	58,866	52,204,817
Improvements Other Than Buildings	13,664,000	355,163	-	14,019,163
Machinery and Equipment	41,056,521	1,721,633	154,968	42,623,186
Right of Use Lease Land and Improvements	165,897	55,299	-	221,196
Total Accumulated Depreciation	<u>105,385,317</u>	<u>3,896,879</u>	<u>213,834</u>	<u>109,068,362</u>
Total Capital Assets Being Depreciated, Net	<u>73,672,396</u>	<u>3,196,417</u>	<u>-</u>	<u>76,868,813</u>
Total Capital Assets	<u>86,730,702</u>	<u>15,680,959</u>	<u>7,483,328</u>	<u>94,928,333</u>
Total	<u>\$ 323,912,133</u>	<u>\$ 37,357,911</u>	<u>\$ 12,421,103</u>	<u>\$ 348,848,941</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**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, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Board of Commissioners established a user rate that will fund a rate stabilization fund. Amounts collected from this charge will be held in a deferred inflow of resources on the statement of net position. The terms of the rate stabilization fund focus on a desired rate of return each year, allowing for adjustments for variances in rainfall that affect usage, and establishes rates each year without severe fluctuations. In the years ended December 31, 2025 and 2024, Racine Wastewater Utility deferred \$-0- and \$500,000, respectively, of revenue into the rate stabilization fund. In the years ended December 31, 2025 and 2024, Racine Wastewater Utility recognized \$-0- and \$-0-, respectively, of operating revenue from the rate stabilization fund. As of December 31, 2025 and 2024, the Racine Wastewater Utility had deferred inflows of resources related to the rate stabilization fund of \$500,000 and \$500,000, respectively.

**NOTE 6 LONG-TERM LIABILITIES**

Long-term debt activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Water Utility</b>					
Long-Term Debt:					
Revenue Bonds	\$ 45,380,000	\$ -	\$ 3,170,000	\$ 42,210,000	\$ 3,310,000
Notes from Direct Borrowings and Direct Placements	5,082,577	4,863,665	92,267	9,853,975	389,520
Total	50,462,577	4,863,665	3,262,267	52,063,975	3,699,520
(Discounts) or Premiums	2,226,148	-	195,213	2,030,935	-
Total Long-Term Debt	52,688,725	4,863,665	3,457,480	54,094,910	3,699,520
Net Pension Liability	317,556	350,384	317,556	350,384	-
Other Postemployment Benefits	14,303,130	616,640	2,103,586	12,816,184	613,285
Compensated Absences	543,972	194,741	199,599	539,114	-
Total Long-Term Liabilities	<u>\$ 67,853,383</u>	<u>\$ 6,025,430</u>	<u>\$ 6,078,221</u>	<u>\$ 67,800,592</u>	<u>\$ 4,312,805</u>
<b>Wastewater Utility</b>					
Long-Term Debt:					
Notes from Direct Borrowings and Direct Placements	\$ 28,456,033	\$ 9,526,755	\$ 1,750,831	\$ 36,231,957	\$ 2,187,418
Leases Payable	1,749,950	-	10,172	1,739,778	12,230
Net Pension Liability	873,461	248,102	873,461	248,102	-
Other Postemployment Benefits	7,994,150	338,009	1,132,419	7,199,740	444,894
Compensated Absences	378,862	147,822	103,034	423,650	-
Unearned Capacity Revenue	42,276,966	4,553,656	1,725,612	45,105,010	1,725,088
Total Long-Term Liabilities	<u>\$ 81,729,422</u>	<u>\$ 14,814,344</u>	<u>\$ 5,595,529</u>	<u>\$ 90,948,237</u>	<u>\$ 4,369,630</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

Long-term debt activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Water Utility</b>					
Long-Term Debt:					
Revenue Bonds	\$ 48,125,000	\$ -	\$ 2,745,000	\$ 45,380,000	\$ 3,170,000
Notes from Direct Borrowings and Direct Placements	2,275,431	3,979,619	1,172,473	5,082,577	92,267
Total	50,400,431	3,979,619	3,917,473	50,462,577	3,262,267
(Discounts) or Premiums	2,493,801	-	267,653	2,226,148	195,213
Total Long-Term Debt	52,894,232	3,979,619	4,185,126	52,688,725	3,457,480
Net Pension Liability	1,199,209	317,556	1,199,209	317,556	-
Other Postemployment Benefits	13,266,313	1,916,149	879,332	14,303,130	578,796
Due to Other Governments	-	-	-	-	-
Compensated Absences*	555,492	-	11,520	543,972	52,254
Total Long-Term Liabilities	<u>\$ 67,915,246</u>	<u>\$ 6,213,324</u>	<u>\$ 6,275,187</u>	<u>\$ 67,853,383</u>	<u>\$ 4,088,530</u>
<b>Wastewater Utility</b>					
Long-Term Debt:					
Notes from Direct Borrowings and Direct Placements	\$ 21,807,895	\$ 7,859,272	\$ 1,211,134	\$ 28,456,033	\$ 1,718,943
Leases Payable	1,758,089	-	8,139	1,749,950	10,173
Net Pension Liability	873,461	227,086	873,461	227,086	-
Other Postemployment Benefits	9,951,969	450,887	2,408,706	7,994,150	343,520
Compensated Absences*	390,040	-	11,178	378,862	-
Unearned Capacity Revenue	43,430,614	397,445	1,551,093	42,276,966	1,551,057
Total Long-Term Liabilities	<u>\$ 78,212,068</u>	<u>\$ 8,934,690</u>	<u>\$ 6,063,711</u>	<u>\$ 81,083,047</u>	<u>\$ 3,623,693</u>

\*The change in the compensated absence liability is presented as a net change.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

The following issues are outstanding as of December 31, 2025 and 2024:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2025	Balance 12/31/2024
<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	\$ -	\$ -
Safe Drinking Water Loan	5/27/2015	5/1/2035	1.650%	1,230,346	1,010,691	1,102,958
Safe Drinking Water Loan	9/11/2024	5/1/2044	2.365%	3,309,531	6,991,427	3,309,531
Safe Drinking Water Loan	10/23/2024	5/1/2044	0.250%	670,088	917,871	670,088
Safe Drinking Water Loan	10/22/2025	5/1/2045	2.475%	100,488	100,488	-
Safe Drinking Water Loan	10/22/2025	5/1/2045	0.250%	833,498	833,498	-
<u>Revenue Bonds</u>						
Mortgage Revenue Refunding Bonds	9/8/2015	9/1/2026	2.00 - 4.00%	6,590,000	740,000	1,450,000
Mortgage Revenue Bonds	12/28/2017	9/1/2031	3.00 - 5.00%	6,135,000	3,635,000	4,215,000
Mortgage Revenue Bonds	2/19/2019	9/1/2039	3.00 - 5.00%	20,000,000	18,940,000	19,900,000
Mortgage Revenue Refunding Bonds	2/11/2021	9/1/2041	1.00 - 5.00%	19,890,000	18,895,000	19,815,000
Mortgage Revenue Refunding Bonds	6/3/2021	9/1/2024	5.00%	4,115,000	-	-
Total Water Utility					<u>\$ 52,063,975</u>	<u>\$ 50,462,577</u>
<b>Wastewater Utility</b>						
Clean Water Fund Loans	1/23/2008	5/1/2027	2.480%	3,481,931	431,360	639,258
Clean Water Fund Loans	3/24/2010	5/1/2029	2.200%	2,524,712	635,034	785,342
Clean Water Fund Loans	5/23/2018	5/1/2038	1.870%	521,546	360,511	384,811
Clean Water Fund Loans	6/27/2018	5/1/2038	1.870%	13,088,291	9,074,235	9,685,880
Clean Water Fund Loans	11/10/2021	5/1/2041	1.485%	933,858	743,381	784,277
Clean Water Fund Loans	9/27/2023	5/1/2043	2.145%	4,872,865	4,475,419	4,650,174
Clean Water Fund Loans	10/11/2023	5/1/2043	2.190%	12,667,906	12,247,610	9,096,474
Clean Water Fund Loans	10/11/2023	5/1/2043	2.190%	2,595,273	2,500,618	2,133,159
Clean Water Fund Loans	12/11/2024	5/1/2044	2.200%	5,763,791	5,763,789	296,661
Total Wastewater Utility					<u>\$ 36,231,957</u>	<u>\$ 28,456,036</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

The debt service requirements for all debt outstanding as of December 31, 2025 is as follows:

Year	Water Utility					
	Notes from Direct Borrowing			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 389,520	\$ 188,551	\$ 578,070	\$ 3,310,000	\$ 1,395,194	\$ 4,705,194
2027	495,075	175,813	670,888	2,675,000	1,252,694	3,927,694
2028	504,144	166,645	670,789	2,840,000	1,118,944	3,958,944
2029	513,411	157,277	670,688	2,965,000	983,844	3,948,844
2030	522,881	147,703	670,584	2,825,000	875,244	3,700,244
2031-2035	2,763,884	587,395	3,351,279	13,250,000	3,171,344	16,421,344
2036-2040	2,462,987	337,700	2,800,687	12,970,000	1,156,781	14,126,781
2041-2045	2,202,075	87,915	2,289,990	1,375,000	27,500	1,402,500
Total	<u>\$ 9,853,975</u>	<u>\$ 1,849,000</u>	<u>\$ 11,702,975</u>	<u>\$ 42,210,000</u>	<u>\$ 9,981,544</u>	<u>\$ 52,191,544</u>

Year	Wastewater Utility		
	Principal	Interest	Total
2026	\$ 2,187,419	\$ 737,207	\$ 2,924,626
2027	2,233,492	687,862	2,921,354
2028	2,056,824	643,078	2,699,903
2029	2,099,340	600,120	2,699,460
2030	1,975,155	558,111	2,533,266
2031-2035	10,502,112	2,157,733	12,659,844
2036-2040	9,964,146	1,051,055	11,015,201
2041-2045	5,213,471	187,070	5,400,540
Total	<u>\$ 36,231,957</u>	<u>\$ 6,622,237</u>	<u>\$ 42,854,194</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 \$62.6 million in water system revenue bonds and safe drinking water loans issued between 2004 and 2025. 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 2045. 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 \$52,191,544. Principal and interest paid for the current year and total customer net revenues were \$5,283,264 and \$15,281,871, respectively. Principal and interest paid for the prior year and total net revenues were \$4,890,823 and \$15,317,274, respectively.

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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

**Revenue Debt (Continued)**

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$46.4 million in clean water fund loans issued between 2008 and 2024. 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 2044. 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 \$42,854,195. Principal and interest paid for the current year and total customer net revenues were \$2,397,446 and \$5,421,910, respectively. Principal and interest paid for the prior year and total net revenues were \$1,679,348 and \$8,282,954, 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:

	2025	2024
Operating Revenues	\$ 14,080,913	\$ 14,831,268
Investment Earnings	560,914	649,497
Household Hazardous Waste Revenues	136,481	184,457
Other Postemployment Benefit Expense	450,033	759,835
Bad Debt	(57,397)	(42,724)
Taxes	(260,864)	(238,526)
Household Hazardous Waste Expense	(211,725)	(157,797)
Net Revenues	<u>\$ 5,913,275</u>	<u>\$ 7,983,914</u>
Annual Debt Service Payment	<u>\$ 2,924,626</u>	<u>\$ 2,286,378</u>
Coverage Ratio	2.02	3.49

At December 31, 2025 and 2024, the Wastewater Utility was in compliance with the covenant based on the above calculation.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 7 NET POSITION**

Net position for the year ended December 31, 2025 is as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Invested in Capital Assets, Net of Related Debt:		
Capital Assets, Net of Accumulated Depreciation and Amortization	\$ 269,510,123	\$ 107,628,775
Capital Related Long-Term Debt and Other Borrowings Outstanding	(48,765,580)	(37,971,735)
Capital Assets in Accounts and Retainage Payable	<u>(901,615)</u>	<u>(1,987,746)</u>
Total Invested in Capital Assets	219,842,928	67,669,294
Restricted:		
Debt Service	1,927,523	2,222,337
Depreciation Fund	800,000	-
DNR Equipment Replacement Fund	<u>5,385,805</u>	<u>3,787,960</u>
Total Restricted	8,113,328	6,010,297
Unrestricted	<u>(4,677,079)</u>	<u>(27,088,694)</u>
Total Net Position	<u>\$ 223,279,177</u>	<u>\$ 46,590,897</u>

Net position for the year ended December 31, 2024 is as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Invested in Capital Assets, Net of Related Debt:		
Capital Assets, Net of Accumulated Depreciation and Amortization	\$ 253,920,608	\$ 94,928,333
Capital Related Long-Term Debt and Other Borrowings Outstanding	(45,999,728)	(30,205,983)
Capital Assets in Accounts and Retainage Payable	<u>(1,977,636)</u>	<u>(1,530,774)</u>
Total Invested in Capital Assets	205,943,244	63,191,576
Restricted:		
Debt Service	1,827,038	955,878
Depreciation Fund	800,000	-
DNR Equipment Replacement Fund	<u>5,160,296</u>	<u>3,629,354</u>
Total Restricted	7,787,334	4,585,232
Unrestricted	<u>(1,450,477)</u>	<u>(25,278,641)</u>
Total Net Position	<u>\$ 212,280,101</u>	<u>\$ 42,498,167</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 8 EMPLOYEE RETIREMENT SYSTEM**

**General Information about the Pension Plan**

Plan Description

The WRS is a cost-sharing multiple-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>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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, 2025 AND 2024**

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

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

Postretirement Adjustments

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)
2024	3.6	15.0

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 4.24% and 4.33%, respectively, for the years ended December 31, 2025 and 2024.

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 3.00% and 3.09%, respectively, for the years ended December 31, 2025 and 2024.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

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

Contributions (Continued)

During the reporting period for the years ended December 31, 2025 and 2024, the WRS recognized contributions from the City of Racine that included \$329,618 and \$313,832 in contributions from Water Utility, respectively.

During the reporting period for the years ended December 31, 2025 and 2024, the WRS recognized contributions from the City of Racine that included \$236,636 and \$222,219 in contributions from Wastewater Utility, respectively.

Contribution rates as of December 31, 2025 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, executive, and elected officials)	6.90 %	6.90 %
Protective with Social Security	6.90	14.30
Protective without Social Security	6.90	19.10

Contribution rates as of December 31, 2024 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, executive, and elected officials)	6.80 %	6.80 %
Protective with Social Security	6.80	13.20
Protective without Social Security	6.80	18.10

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

At December 31, 2025, the Water and Wastewater Utilities reported a liability (asset) of \$350,384 and \$248,102, 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, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024. 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, 2024, the Water and Wastewater Utilities allocated proportion was 0.02130378% and 0.01508484% respectively, which was an decrease of 0.00005143% and 0.00018643%, respectively, from its proportion measured as of December 31, 2023.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

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

At December 31, 2024, the Water and Wastewater Utilities reported a liability (asset) of \$317,556 and \$227,086 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, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023. 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, 2023, the Water and Wastewater Utilities allocated proportion was 0.02135521% and 0.01527127% respectively, which was an decrease of 0.00128118% and 0.00121628%, respectively, from its proportion measured as of December 31, 2022.

For the years ended December 31, 2025 and 2024, the Water Utility recognized pension expense of \$454,879 and \$186,948, respectively.

For the years ended December 31, 2025 and 2024, the Wastewater Utility recognized pension expense of \$321,849 and \$133,688, respectively.

At December 31, 2025, 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	\$ 1,245,562	\$ 1,270,654
Changes in Assumptions	129,318	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	632,829	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,125	9,549
Employer Contributions Subsequent to the Measurement Date	329,618	-
Total	<u>\$ 2,340,452</u>	<u>\$ 1,280,203</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,036,881	\$ 926,220
Changes in Assumptions	100,175	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	239,915	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,737	6,911
Employer Contributions Subsequent to the Measurement Date	236,636	-
Total	<u>\$ 1,615,344</u>	<u>\$ 933,131</u>

**RACINE WATER AND WASTEWATER UTILITIES  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2025 AND 2024**

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

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

The \$329,618 and \$236,636 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, 2026 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:

<u>Year Ended December 31,</u>	<u>Water Utility Net Amortization of Deferred Outflows and Inflows</u>
2026	\$ 305,772
2027	494,112
2028	(53,606)
2029	(15,647)

<u>Year Ended December 31,</u>	<u>Wastewater Utility Net Amortization of Deferred Outflows and Inflows</u>
2026	\$ 179,017
2027	324,377
2028	(44,450)
2029	(13,367)

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

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

At December 31, 2024, 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	\$ 1,413,950	\$ 1,912,423
Changes in Assumptions	161,186	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	1,186,412	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	7,872	2,461
Employer Contributions Subsequent to the Measurement Date	313,832	-
Total	<u>\$ 3,083,252</u>	<u>\$ 1,914,884</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,156,114	\$ 1,380,645
Changes in Assumptions	122,741	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	631,898	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,099	1,892
Employer Contributions Subsequent to the Measurement Date	222,219	-
Total	<u>\$ 2,138,071</u>	<u>\$ 1,382,537</u>

**Actuarial Assumption**

For the year ended December 31, 2024, the total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability (Asset):	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2023 Publish November 19, 2024
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table
Postretirement Adjustments:	1.7%*

\*No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

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

Actuarial Assumption (Continued)

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

For the year ended December 31, 2023, the total pension asset in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2022
Measurement Date of Net Pension Liability (Asset):	December 31, 2023
Experience Study:	January 1, 2018 - December 31, 2020 Publish November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.6%

\*No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. 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, 2023 is based upon a roll-forward of the liability calculated from the December 31, 2022 actuarial valuation.

Long-Term Expected Return on Plan Assets

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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

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

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

**Long-Term Expected Return on Plan Assets (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, 2024:

<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>
Public Equity	38.0%	7.0%	4.3%
Public Fixed Income	27.0	6.1	3.4
Inflation Sensitive Assets	19.0	4.8	2.1
Real Estate	8.0	6.5	3.8
Private Equity/Debt	20.0	9.5	6.7
Leverage	(12.0)	3.7	1.1
Total Core Fund	100.0%	7.5%	4.8%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.5%	3.8%
International Equities	30.0	7.4	4.7
Total Variable Funds	100.0%	6.9%	4.2%

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

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.6%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%.

Currently, an asset allocation target of 12% policy leverage is used, subject to an allowable range for up to 20%.

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

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

**Long-Term Expected Return on Plan Assets (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, 2023:

<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>
Public Equity	40.0%	7.3%	4.5%
Public Fixed Income	27.0	5.8	3.0
Inflation Sensitive Assets	19.0	4.4	1.7
Real Estate	8.0	5.8	3.0
Private Equity/Debt	18.0	9.6	6.7
Leverage	(12.0)	3.7	1.0
Total Core Fund	100.0%	7.4%	4.6%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.8%	4.0%
International Equities	30.0	7.6	4.8
Total Variable Funds	100.0%	7.3%	4.5%

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

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.7%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%.

Currently, an asset allocation target of 12% policy leverage is used, subject to an allowable range for up to 20%.

**Single Discount Rate**

A single discount rate of 6.80% 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 6.80% and a municipal bond rate of 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds average quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% 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.

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

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

**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, 2024 calculated using the discount rate of 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Water Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,287,060	\$ 350,384	\$ (1,736,040)
Wastewater Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,327,521	\$ 248,102	\$ (1,229,266)

The following presents the Utilities' proportionate share of the net pension liability (asset), as of December 31, 2023 calculated using the discount rate of 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Water Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,068,892	\$ 317,556	\$ (1,607,748)
Wastewater Utility's Allocation of the City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,194,588	\$ 227,086	\$ (1,149,712)

**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>.

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

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2025 as follows:

	Water Utility	Wastewater Utility
Due from City of Racine	\$ 24,444	\$ 14,592
Due from Wastewater Utility	1,657,256	-
Due from Water Utility	-	728,214
Total Due From Other Funds	<u>\$ 1,681,700</u>	<u>\$ 742,806</u>
Due to City of Racine	\$ 6,628,342	\$ 629,628
Due to Wastewater Utility	728,214	-
Due to Water Utility	-	1,657,256
Total Due to Other Funds	<u>\$ 7,356,556</u>	<u>\$ 2,286,884</u>

The principal purpose of these interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Utilities had the following interfund receivables and payables with affiliated entities as of December 31, 2024 as follows:

	Water Utility	Wastewater Utility
Due from City of Racine	\$ 24,246	\$ 30,643
Due from Wastewater Utility	770,886	-
Due from Water Utility	-	943,751
Total Due From Other Funds	<u>\$ 795,132</u>	<u>\$ 974,394</u>
Due to City of Racine	\$ 5,520,663	\$ 515,061
Due to Wastewater Utility	943,751	-
Due to Water Utility	-	770,886
Total Due to Other Funds	<u>\$ 6,464,414</u>	<u>\$ 1,285,947</u>

The principal purpose of these interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**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. Settlements have not exceed insurance coverage in the prior three years.

The Utilities participate in the City of Racine, Wisconsin, self-insurance plan for employee health insurance benefits. Additional details for the plan are available in the City of Racine, Wisconsin's Annual Comprehensive Financial Report. 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, 2025 and 2024, the Wastewater Utility has accrued a liability of \$65,254 and \$20,653, respectively, to cover future claims. At December 31, 2025 and 2024, the Water Utility has accrued a liability of \$79,755 and \$69,850, 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.

**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 was 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 a receivable and an 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 \$1,725,088 and \$1,551,057 for the years ended December 31, 2025 and 2024, respectively.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 INTERGOVERNMENTAL SANITARY SEWER SERVICE AGREEMENT (CONTINUED)**

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 \$1,078,726 and \$1,081,031 for 2025 and 2024, respectively, are reported as transfers to other funds in the statement of revenues, expenses, and changes in net position.

**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 \$379,969 and \$98,872 of REC fee revenue for years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, 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, 2025 and 2024, the Utility reported an outstanding receivable from the Village in due from other governments on the statements of net position of \$-0- and \$-0-, respectively.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT (CONTINUED)**

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, 2025 and 2024, the Utility received \$-0- 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, 2025 and 2024, 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 \$4,132,249 and \$3,524,893 of REC fees, which are included in due to other governments on the statements of net position at December 31, 2025 and 2024, respectively.

**NOTE 13 COMMITMENTS**

There were no significant commitments at December 31, 2025 and 2024 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, 2025 and 2024, the Wastewater Utility had unrecovered cost (excess collections) of \$-0- and \$-0-, respectively, which was reported as part of the due to other funds.

**NOTE 15 LEASE RECEIVABLES**

The Water Utility, acting as lessor, leases water tower space and related equipment under long-term, noncancelable lease agreements. The leases expire at various dates through 2049 and provide for renewal options ranging from one to five years. During the year ended December 31, 2024, the Water Utility recognized \$276,515 and \$137,620 in lease revenue and interest revenue, respectively, pursuant to these contracts. During the year ended December 31, 2024, the Water Utility recognized \$275,089 and \$95,617, in lease revenue and interest revenue, respectively, pursuant to these contracts.

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 15 LEASE RECEIVABLES (CONTINUED)**

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Total future minimum lease payments to be received under lease agreements are as follows:

Year	Wastewater Utility		
	Principal	Interest	Total
2026	\$ 12,320	\$ 49,467	\$ 61,787
2027	14,586	49,055	63,641
2028	16,975	48,575	65,550
2029	19,493	48,023	67,516
2030	22,146	47,396	69,542
2031-2035	155,650	224,633	380,283
2036-2040	245,757	195,096	440,853
2041-2045	360,395	150,674	511,069
2046-2050	505,056	87,413	592,469
2051-2055	387,400	12,465	399,865
Total	<u>\$ 1,739,778</u>	<u>\$ 912,797</u>	<u>\$ 2,652,575</u>

**NOTE 16 LEASE PAYABLE**

The Wastewater Utility leases land and improvements under long-term, noncancelable lease agreement that expires in 2054. The lease agreement does not include any renewal terms and provides for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index.

Total future minimum lease payments under lease agreement are as follows:

Year	Water Utility		
	Principal	Interest	Total
2026	\$ 190,535	\$ 133,817	\$ 324,352
2027	204,073	128,096	332,169
2028	200,970	122,079	323,049
2029	173,688	116,602	290,290
2030	175,975	111,637	287,612
2031-2035	1,101,042	469,797	1,570,839
2036-2040	1,362,595	291,452	1,654,047
2041-2045	1,300,825	78,378	1,379,203
2046-2050	9,936	12	9,948
Total	<u>\$ 4,719,639</u>	<u>\$ 1,451,870</u>	<u>\$ 6,171,509</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 17 MAJOR CUSTOMERS**

Two major customers accounted for 5% and 1% of Wastewater Utility gross sales aggregating \$856,870 in 2025. Total customer accounts receivable from these customers were not significant to the Utility's operations as of December 31, 2025.

Two major customers accounted for 23.71% and 17.58% of Wastewater Utility gross sales aggregating \$6,132,572 in 2024. Total customer accounts receivable from these customers were not significant to the Utility's operations as of December 31, 2024.

One major customer accounted for 4.74% of Water Utility gross sales aggregating \$1,222,914 and 17.9% of gross sales aggregating \$4,466,044 in 2025 and 2024, respectively. Total accounts receivable from this customer were not significant to the Utility's operations as of December 31, 2025 and 2024.

**NOTE 18 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 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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The benefits vary depending upon the age and years of service of the retiree. Benefit provisions are established through personnel policies established by the City and generally result in the employer paying 100% of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The employer also pays 100% of Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those who retire prior to age 65 and who meet the age and years of service criteria above. In 2006, various groups of retirees began paying a portion of the health care premiums. Required contributions range from 0%-7.5% based on labor negotiations and retirement date.

**RACINE WATER AND WASTEWATER UTILITIES  
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**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – HEALTH INSURANCE  
(CONTINUED)**

**General Information (Continued)**

Contribution requirements are established through personnel policies established by the City. Personnel policy guidelines may be amended by action of the City’s Common Council. The employer makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The amount of the employer’s contribution ranges from 95%-100% based on the employee’s year of retirement and bargaining unit. For the year ended December 31, 2025, the Water and Wastewater Utilities contributed \$613,285 and \$444,894 to the plan, respectively. For the year ended December 31, 2024, the Water and Wastewater Utilities contributed \$578,796 and \$343,520 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, 2025, the Water and Wastewater reported OPEB liabilities of \$12,524,228 and \$6,958,688, respectively, that were measured by an actuarial valuation as of December 31, 2024.

At December 31, 2024, the Water and Wastewater reported OPEB liabilities of \$13,943,408 and \$7,725,030, respectively, that were measured by an actuarial valuation as of December 31, 2023.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified, for the year ended December 31, 2025:

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net OPEB Liability:	December 31, 2024
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.5% - 3.6%
Mortality:	2020 WRS Experience Table
Actuarial Cost Method	Entry Age Normal
Healthcare Cost Trend Rates:	7.3% Decreasing to 3.7%

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified, for the year ended December 31, 2024:

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net OPEB Liability:	December 31, 2023
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.4% - 3.5%
Mortality:	2020 WRS Experience Table
Actuarial Cost Method	Entry Age Normal
Healthcare Cost Trend Rates:	7.3% Decreasing to 3.7%

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

**Actuarial Assumptions and Other Inputs (Continued)**

The actuarial assumptions used in the December 31, 2023 valuation were based upon an experience study conducted in 2023 that covered a three-year period from January 1, 2018 to December 31, 2020.

**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, 2025:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Balance as of December 31, 2024	\$ 13,943,407	\$ 7,725,030	\$ 21,668,437
Changes for the Year:			
Service Cost	151,625	63,830	215,455
Interest on Total OPEB Liability	449,583	246,723	696,306
Effect of Economic/Demographic (Gains) or Losses	-	-	-
Effect of Assumptions Changes or Inputs	(1,407,102)	(632,001)	(2,039,103)
Benefit Payments	(613,285)	(444,894)	(1,058,179)
Balance as of December 31, 2025	<u>\$ 12,524,228</u>	<u>\$ 6,958,688</u>	<u>\$ 19,482,916</u>

The following presents the changes in the total OPEB liability of the Utility for the year ended December 31, 2024:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Balance as of December 31, 2023	\$ 12,992,256	\$ 9,710,958	\$ 22,703,214
Changes for the Year:			
Service Cost	187,033	63,057	250,090
Interest on Total OPEB Liability	480,459	354,375	834,834
Effect of Economic/Demographic (Gains) or Losses	1,155,820	(951,860)	203,960
Effect of Assumptions Changes or Inputs	(339,805)	(951,278)	(1,291,083)
Benefit Payments	(532,355)	(500,222)	(1,032,577)
Balance as of December 31, 2024	<u>\$ 13,943,408</u>	<u>\$ 7,725,030</u>	<u>\$ 21,668,438</u>

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

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

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2025, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease to Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase to Discount Rate (5.08%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 14,271,965	\$ 12,524,228	\$ 11,082,842
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 7,741,213	\$ 6,958,688	\$ 6,292,371

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2024, 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 (2.26%) or 1-percentage-point higher (4.26%) than the current discount rate:

	1% Decrease to Discount Rate (2.26%)	Current Discount Rate (3.26%)	1% Increase to Discount Rate (4.26%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 16,045,600	\$ 13,943,408	\$ 12,228,518
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 8,658,172	\$ 7,725,030	\$ 6,937,552

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2025, 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 (6.3% Decreasing to 2.7%)	Current Trend Rate (7.3% Decreasing to 3.7%)	1% Increase (8.3% Decreasing to 4.7%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 11,018,838	\$ 12,524,228	\$ 14,366,789
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 6,290,929	\$ 6,958,688	\$ 7,747,945

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

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

The following presents the net OPEB liability of the Water and Wastewater Utilities as of December 31, 2024, 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 (6.3% Decreasing to 2.7%)	Current Trend Rate (7.3% Decreasing to 3.7%)	1% Increase (8.3% Decreasing to 4.7%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 12,267,740	\$ 13,943,408	\$ 16,007,922
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 6,999,345	\$ 7,725,030	\$ 8,587,001

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

For the year ended December 31, 2025, the Water Utility recognized total net OPEB expense (benefit) of \$95,708, of which \$78,836 was recognized from the Retiree Health Plan.

For the year ended December 31, 2025, the Wastewater Utility recognized total net OPEB expense (benefit) of \$54,791, of which \$40,861 was recognized from the Retiree Health Plan.

For the year ended December 31, 2024, the Water Utility recognized total OPEB expense (benefit) of \$375,410 of which \$322,344 was recognized from the Retiree Health Plan.

For the year ended December 31, 2024, the Wastewater Utility recognized total OPEB expense (benefit) of (\$258,400), of which (\$261,996) was recognized from the Retiree Health Plan.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 18 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, 2025, 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	\$ 749,556	\$ 130,359
Changes in Assumptions	469,535	3,163,434
Employer Contributions Subsequent to the Measurement Date	613,285	-
Total	<u>\$ 1,832,376</u>	<u>\$ 3,293,793</u>

	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 60,043	\$ 531,612
Changes in Assumptions	10,442	1,597,959
Employer Contributions Subsequent to the Measurement Date	444,894	-
Total	<u>\$ 515,379</u>	<u>\$ 2,129,571</u>

The \$613,285 and \$444,894 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, 2026 for the Water and Wastewater Utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense (benefit) as follows:

<u>Year Ended December 31,</u>	Water Utility Net Amortization of Deferred Outflows and Inflows of Resources
2026	\$ (397,385)
2027	(617,908)
2028	(666,373)
2029	(222,404)
2030	(170,632)
Thereafter	-

<u>Year Ended December 31,</u>	Wastewater Utility Net Amortization of Deferred Outflows and Inflows of Resources
2026	\$ (1,006,433)
2027	(616,535)
2028	(362,177)
2029	(73,941)

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 18 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, 2024, 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	\$ 997,068	\$ 191,560
Changes in Assumptions	872,838	2,868,317
Employer Contributions Subsequent to the Measurement Date	578,796	-
Total	<u>\$ 2,448,702</u>	<u>\$ 3,059,877</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 605,892	\$ 741,736
Changes in Assumptions	271,819	1,832,752
Employer Contributions Subsequent to the Measurement Date	343,520	-
Total	<u>\$ 1,221,231</u>	<u>\$ 2,574,488</u>

**NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE**

**Plan Description**

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

**OPEB Plan Fiduciary Net Position**

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

**Benefits Provided**

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

**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.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE  
(CONTINUED)**

**Contributions (Continued)**

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, 2025 and 2024 are:

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the years ended December 31, 2025 and 2024 are as listed below:

Life Insurance				
Employee Contribution Rates				
For the years ended December 31, 2024				
Attained Age	Basic		Supplemental	
Under 30	\$	0.05	\$	0.05
30-34		0.06		0.06
35-39		0.07		0.07
40-44		0.08		0.08
45-49		0.12		0.12
50-54		0.22		0.22
55-59		0.39		0.39
60-64		0.49		0.49
65-69		0.57		0.57

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

During the reporting period ended December 31, 2025, the LRLIF recognized \$1,640 and \$1,563 in contributions from the Water and Wastewater Utilities, respectively.

During the reporting period ended December 31, 2024, the LRLIF recognized \$1,443 and \$1,269 in contributions from the Water and Wastewater Utilities, respectively.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 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, 2025, the Water and Wastewater Utilities reported a liability of \$291,956 and \$241,052, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. 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, 2024, the Water and Wastewater Utilities allocated proportion was 0.07462571% and 0.06161454%, respectively, which was an increase of 0.00324736% and a decrease of 0.00268118% from its proportion measured as of December 31, 2023, respectively.

At December 31, 2024, the Water and Wastewater Utilities reported a liability of \$359,722 and \$269,120, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 rolled forward to December 31, 2023. 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, 2023, the Water and Wastewater Utilities allocated proportion was 0.07818925% and 0.05849607%, respectively, which was an increase of 0.00625496% and a decrease of 0.00476424% from its proportion measured as of December 31, 2022, respectively.

For the year ended December 31, 2025, the Water Utility recognized total net OPEB expense (benefit) of \$95,708, of which \$16,872 was from the LRLIF plan.

For the year ended December 31, 2025, the Wastewater Utility recognized total net OPEB expense (benefit) of \$54,791, of which \$13,930 was from the LRLIF plan.

For the year ended December 31, 2024, the Water Utility recognized total net OPEB expense (benefit) of \$375,410, of which \$53,066 was from the LRLIF plan.

For the year ended December 31, 2024, the Wastewater Utility recognized total net OPEB expense (benefit) of (\$258,400) of which \$3,596 was from the LRLIF plan.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 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, 2025, 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
	<u>\$</u>	<u>\$</u>
Differences Between Projected and Actual Experiences	-	34,136
Changes of Actuarial Assumptions	96,359	166,269
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	5,115	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	17,976	13,907
Employer Contributions Subsequent to the Measurement Date	1,640	-
Total	<u>\$ 121,090</u>	<u>\$ 214,312</u>
	Wastewater Utility Deferred Outflows of Resources	Wastewater Utility Deferred Inflows of Resources
	<u>\$</u>	<u>\$</u>
Differences Between Projected and Actual Experiences	-	31,923
Changes of Actuarial Assumptions	104,974	152,985
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	5,502	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	14,840	11,895
Employer Contributions Subsequent to the Measurement Date	1,563	-
Total	<u>\$ 126,879</u>	<u>\$ 196,803</u>

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE  
(CONTINUED)**

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

\$1,640 and \$1,563 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, 2026. 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 and Inflows of Resources</u>
2026	\$ (224)
2027	(19,386)
2028	(33,991)
2029	(29,448)
2030	(4,129)
Thereafter	(7,684)

<u>Year Ended December 31,</u>	<u>Wastewater Utility Net Amortization of Deferred Outflows and Inflows of Resources</u>
2026	\$ 6,504
2027	(13,886)
2028	(29,414)
2029	(25,510)
2030	(2,479)
Thereafter	(6,702)

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 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, 2024, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Water Utility Deferred Outflows of Resources</u>	<u>Water Utility Deferred Inflows of Resources</u>
Differences Between Projected and Actual Experiences	\$ -	\$ 32,825
Changes of Actuarial Assumptions	126,965	17,657
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	5,542	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	6,955	131,829
Employer Contributions Subsequent to the Measurement Date	1,443	-
Total	<u>\$ 140,905</u>	<u>\$ 182,311</u>
	<u>Wastewater Utility Deferred Outflows of Resources</u>	<u>Wastewater Utility Deferred Inflows of Resources</u>
Differences Between Projected and Actual Experiences	\$ -	\$ 30,841
Changes of Actuarial Assumptions	130,705	124,550
Net Differences Between Projected and Actual Investment		
Earnings on OPEB Plan Investment	5,855	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	5,203	14,991
Employer Contributions Subsequent to the Measurement Date	1,269	-
Total	<u>\$ 143,032</u>	<u>\$ 170,382</u>

**Actuarial Assumptions**

The total OPEB liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2024
Measurement Date of Net OPEB Liability:	December 31, 2024
	January 1, 2021 - December 31, 2023
WRS Experience Study:	Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	4.08%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	4.09%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.7%
Mortality:	2020 WRS Experience Table

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE  
(CONTINUED)**

**Actuarial Assumptions (Continued)**

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. The total OPEB liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the January 1, 2024 actuarial valuation.

The total OPEB liability in the January 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2023
Measurement Date of Net OPEB Liability:	December 31, 2023
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.26%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.32%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The Total OPEB Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 actuarial valuation.

**Long-Term Expected Return on Plan Assets**

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

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE  
(CONTINUED)**

**Long-Term Expected Return on Plan Assets (Continued)**

**Local OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December 31, 2024**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Intermediate Credit Bonds	Bloomberg US Interm Credit	40%	2.41%
U.S. Mortgages	Bloomberg US MBS	60%	2.71%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. 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. The expected inflation rate remained unchanged from the prior year at 2.30%.

**Local OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December 31, 2023**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Intermediate Credit Bonds	Bloomberg US Interm Credit	40%	2.32%
U.S. Mortgages	Bloomberg US MBS	60%	2.52%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – LIFE INSURANCE  
(CONTINUED)**

**Single Discount Rate**

A single discount rate of 4.09% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.32% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. 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, 2037.

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, 2024 calculated using the discount rate of 4.09%, 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 (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease to Discount Rate (3.09%)	Current Discount Rate (4.09%)	1% Increase to Discount Rate (5.09%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 390,239	\$ 291,956	\$ 216,219
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 322,200	\$ 241,052	\$ 178,520

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 19 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, 2023 calculated using the discount rate of 3.32%, 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 (2.32%) or 1-percentage-point higher (4.32%) than the current rate:

	1% Decrease to Discount Rate (2.32%)	Current Discount Rate (3.32%)	1% Increase to Discount Rate (4.32%)
Water Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 483,336	\$ 359,722	\$ 265,364
Wastewater Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability	\$ 361,600	\$ 269,120	\$ 198,528

**NOTE 20 SUBSEQUENT EVENTS**

In December of 2025, the Water Utility was notified of pre-award for financing through the Wisconsin Department of Natural Resources Safe Drinking Water Loan Program (SDWLP) related to water system improvement projects, including lead service line replacements.

The approved financing includes \$21,606,708 of private-side principal forgiveness, \$4,491,692 of private-side loan funding, and \$13,901,600 of public-side loan funding. The \$40 million in proceeds will be used for eligible water infrastructure improvements and lead service line replacement activities.

Because the financing was not approved subsequent to year end, no related debt, receivable, or construction activity has been recorded in the accompanying financial statements as of December 31, 2025.

Management is currently evaluating the timing and accounting impact of the financing and related project expenditures in future reporting periods.

**RACINE WATER AND WASTEWATER UTILITIES  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2025**

**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\*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Water Utility:</b>										
The Utility's Allocation of the City of Racine's Proportion of the Net Pension Liability (Asset)	0.02130378%	0.02135521%	0.02263638%	0.02239710%	0.02363945%	0.02232631%	0.02194546%	0.02214081%	0.02329492%	0.02314786%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset)	\$ 350,384	\$ 317,556	\$ 1,199,209	\$ (1,805,248)	\$ (1,475,843)	\$ (719,902)	\$ 780,751	\$ (657,387)	\$ 192,006	\$ 376,148
The Utility's Covered Payroll	4,481,824	4,247,101	4,032,574	3,911,408	3,976,995	3,570,145	3,941,246	3,624,036	3,539,267	3,490,508
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	97.79%	98.85%	95.72%	106.02%	105.26%	102.96%	96.45%	102.93%	99.12%	98.20%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	7.82%	7.48%	29.74%	-46.15%	-37.11%	-20.16%	19.81%	-18.14%	5.43%	10.78%
<b>Wastewater Utility:</b>										
The Utility's Allocation of the City of Racine's Proportion of the Net Pension Liability (Asset)	0.01508484%	0.01527127%	0.01648755%	0.01678832%	0.01872604%	0.01708970%	0.01623157%	0.01699093%	0.01753476%	0.01738688%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset)	\$ 248,102	\$ 227,086	\$ 873,461	\$ (1,353,169)	\$ (1,169,093)	\$ (551,050)	\$ 577,468	\$ (504,481)	\$ 144,528	\$ 282,533
The Utility's Covered Payroll	3,220,567	3,089,780	2,784,405	2,477,228	3,238,039	2,755,064	2,905,858	2,738,653	2,664,692	2,614,742
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	97.79%	98.85%	95.72%	106.02%	105.26%	102.96%	96.45%	102.93%	99.12%	98.20%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	7.70%	7.35%	31.37%	-54.62%	-36.10%	-20.00%	19.87%	-18.42%	5.42%	10.81%

**Schedule of the Utilities' Pension Contributions**

Wisconsin Retirement System  
Last Ten Fiscal Years\*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Water Utility:</b>										
Contractually Required Contributions	\$ 329,618	\$ 313,832	\$ 293,809	\$ 263,946	\$ 258,385	\$ 276,260	\$ 254,689	\$ 252,869	\$ 250,844	\$ 233,614
Contributions in Relation to the Contractually Required Contributions	(329,618)	(313,832)	(293,809)	(263,946)	(258,385)	(276,260)	(254,689)	(252,869)	(250,844)	(233,614)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Utility's Covered - Employee Payroll	4,233,063	4,481,824	4,247,101	4,032,574	3,911,408	3,976,995	3,570,145	3,941,246	3,624,036	3,539,267
Contributions as a Percentage of Covered Payroll	7.79%	7.00%	6.92%	6.55%	6.61%	6.95%	7.13%	6.42%	6.92%	6.60%
<b>Wastewater Utility:</b>										
Contractually Required Contributions	\$ 236,636	\$ 222,219	\$ 210,105	\$ 192,249	\$ 193,679	\$ 218,840	\$ 194,952	\$ 187,030	\$ 192,498	\$ 175,848
Contributions in Relation to the Contractually Required Contributions	(236,636)	(222,219)	(210,105)	(192,249)	(193,679)	(218,840)	(194,952)	(187,030)	(192,498)	(175,848)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Utility's Covered Payroll	3,207,676	3,220,567	3,089,780	2,784,405	2,477,228	3,238,039	2,755,064	2,905,858	2,738,653	2,664,692
Contributions as a Percentage of Covered Payroll	7.38%	6.90%	6.80%	6.90%	7.82%	6.76%	7.08%	6.44%	7.03%	6.60%

\* 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.

See accompanying Notes to Required Supplementary Information.

**RACINE WATER AND WASTEWATER UTILITIES  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2025**

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

<b>Total OPEB Liability</b>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Water Utility:</b>								
Service Cost	\$ 151,625	\$ 187,034	\$ 288,020	\$ 377,181	\$ 311,472	\$ 323,382	\$ 450,916	\$ 395,004
Interest on Total OPEB Liability	449,583	480,458	338,881	387,309	454,015	736,778	675,144	686,060
Effect of Economic/Demographic (Gains) or Losses	-	1,155,820	-	(2,559,812)	-	332,565	181,652	280,752
Effect of Assumption Changes or Inputs	(1,407,102)	(339,805)	(3,492,457)	716,640	1,652,503	(1,762,749)	(1,828,047)	961,925
Benefit Payments	(613,285)	(532,355)	(606,324)	(694,978)	(871,326)	(1,159,613)	(861,236)	(943,479)
Net Change in Total OPEB Liability	(1,419,179)	951,152	(3,471,880)	(1,773,660)	1,546,664	(1,529,637)	(1,381,571)	1,380,262
Total OPEB Liability, Beginning	13,943,407	12,992,256	16,464,136	18,237,796	16,691,132	18,220,769	19,602,340	18,222,078
Total OPEB Liability, Ending	<u>\$ 12,524,228</u>	<u>\$ 13,943,407</u>	<u>\$ 12,992,256</u>	<u>\$ 16,464,136</u>	<u>\$ 18,237,796</u>	<u>\$ 16,691,132</u>	<u>\$ 18,220,769</u>	<u>\$ 19,602,340</u>
Covered - Employee Payroll	\$ 4,912,925	\$ 4,811,915	\$ 4,507,344	\$ 4,299,987	\$ 4,205,306	\$ 4,375,234	\$ 4,190,746	\$ 3,941,246
Utility's Net OPEB Liability as a Percentage of Covered Payroll	254.92%	289.77%	288.25%	382.89%	433.69%	381.49%	434.79%	497.36%
 <b>Wastewater Utility:</b>								
Service Cost	\$ 63,830	\$ 63,057	\$ 92,500	\$ 207,938	\$ 175,199	\$ 178,650	\$ 253,093	\$ 223,562
Interest on Total OPEB Liability	246,723	354,375	243,473	232,349	287,366	538,183	488,258	506,413
Effect of Economic/Demographic (Gains) or Losses	-	(951,860)	-	1,039,897	-	(1,655,781)	(135,863)	(227,428)
Effect of Assumption Changes or Inputs	(632,001)	(951,278)	(2,126,037)	390,194	867,243	(1,251,752)	(1,171,443)	624,425
Benefit Payments	(444,894)	(500,222)	(448,809)	(1,338,009)	(446,962)	(440,467)	(413,929)	(306,959)
Net Change in Total OPEB Liability	(766,342)	(1,985,928)	(2,238,873)	532,369	882,846	(2,631,167)	(979,884)	820,013
Total OPEB Liability, Beginning	7,725,030	9,710,958	11,949,831	11,417,462	10,534,616	13,165,783	14,145,667	13,325,654
Total OPEB Liability, Ending	<u>\$ 6,958,688</u>	<u>\$ 7,725,030</u>	<u>\$ 9,710,958</u>	<u>\$ 11,949,831</u>	<u>\$ 11,417,462</u>	<u>\$ 10,534,616</u>	<u>\$ 13,165,783</u>	<u>\$ 14,145,667</u>
Covered - Employee Payroll	\$ 3,434,488	\$ 3,326,918	\$ 3,157,966	\$ 3,042,482	\$ 3,214,643	\$ 3,337,077	\$ 3,099,532	\$ 2,905,858
Utility's Net OPEB Liability as a Percentage of Covered Payroll	202.61%	232.20%	307.51%	392.77%	355.17%	315.68%	424.77%	486.80%

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See accompanying Notes to Required Supplementary Information.

**RACINE WATER AND WASTEWATER UTILITIES  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2025**

**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\*

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Water Utility:</b>								
The Utility's Allocation of the City of Racine's Proportion of the Net OPEB Liability	0.07462571%	0.07818925%	0.07193429%	0.07947190%	0.08528591%	0.08937385%	0.08848113%	0.08781457%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net OPEB Liability	\$ 291,956	\$ 359,722	\$ 274,058	\$ 469,708	\$ 469,158	\$ 380,672	\$ 228,312	\$ 264,199
The Utility's Covered Payroll	4,233,063	4,481,824	4,032,574	3,911,408	3,976,995	3,570,145	3,941,246	3,220,627
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	37.20%	33.90%	38.81%	29.57%	31.36%	37.58%	48.69%	44.81%
<b>Wastewater Utility:</b>								
The Utility's Allocation of the City of Racine's Proportion of the Net OPEB Liability	0.06161454%	0.05849607%	0.06326030%	0.06741858%	0.08140010%	0.08735181%	0.08645246%	0.08949624%
The Utility's Allocation of the City of Racine's Proportionate Share of the Net OPEB Liability	\$ 241,052	\$ 269,120	\$ 241,011	\$ 398,469	\$ 398,469	\$ 372,059	\$ 223,076	\$ 269,257
The Utility's Covered Payroll	3,207,676	3,220,567	2,784,405	2,477,228	3,238,039	2,755,064	2,905,858	2,525,814
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	37.20%	33.90%	38.81%	29.57%	31.36%	37.58%	48.69%	44.81%

**Schedule of the Utilities' OPEB Contributions**  
Local Retiree Life Insurance Fund  
Last Ten Fiscal Years\*

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Water Utility:</b>								
Contractually Required Contributions	\$ 1,640	\$ 1,443	\$ 1,608	\$ 1,589	\$ 1,640	\$ 1,690	\$ 1,768	\$ 1,702
Contributions in Relation to the Contractually Required Contributions	(1,640)	(1,443)	(1,608)	(1,589)	(1,640)	(1,690)	(1,768)	(1,702)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
Utility's Covered Payroll	4,233,063	4,481,824	4,247,101	4,032,574	3,911,408	3,976,995	3,570,145	3,941,246
Contributions as a Percentage of Covered Payroll	0.04%	0.03%	0.04%	0.04%	0.04%	0.04%	0.05%	0.04%
<b>Wastewater Utility:</b>								
Contractually Required Contributions	\$ 1,563	\$ 1,269	\$ 1,203	\$ 1,348	\$ 1,563	\$ 1,613	\$ 1,728	\$ 1,662
Contributions in Relation to the Contractually Required Contributions	(1,563)	(1,269)	(1,203)	(1,348)	(1,563)	(1,613)	(1,728)	(1,662)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
Utility's Covered Payroll	3,207,676	3,220,567	3,089,780	2,784,405	2,477,228	3,238,039	2,755,064	2,905,858
Contributions as a Percentage of Covered Payroll	0.05%	0.04%	0.04%	0.05%	0.06%	0.05%	0.06%	0.06%

\*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.

See accompanying Notes to Required Supplementary Information.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2025**

**Changes in Benefit Terms and Assumptions Related to Pension Liabilities (Assets)**

Changes of Benefit Terms

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

Changes of Assumptions

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

**RACINE WATER AND WASTEWATER UTILITIES  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2025**

**Changes in Benefit Terms and Assumptions Related to LRLIF OPEB Liabilities (Assets)**

Benefit Terms

There were no recent changes in benefit terms.

Assumptions

In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

**Changes in Benefit Terms and Assumptions related to Health OPEB Liabilities (Assets)**

Changes of Benefit Terms – Health

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

Changes of Assumptions – Health

No significant change in assumptions were noted from the prior year.

Health Insurance OPEB

No assets are accumulated in a trust that meets the criteria of paragraph 4 of the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULES OF OPERATING INCOME  
WATER UTILITY  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
<b>OPERATING REVENUES</b>		
Sales of Water:		
Metered Sales to General Customers:		
Residential	\$ 9,611,005	\$ 9,558,855
Multi-Family Residential	1,764,083	1,736,457
Commercial	2,115,000	2,115,464
Industrial	5,262,050	5,302,679
Public Authorities	1,016,798	990,101
Total Metered Sales	19,768,936	19,703,556
Unmetered Sales	241,627	197,603
Private Fire Protection	319,524	312,514
Public Fire Protection	2,168,625	2,162,607
Sales for Resale	1,702,187	1,641,851
Total Sales of Water	24,200,899	24,018,131
Other Operating Revenues:		
Forfeited Discounts	489,274	460,042
Miscellaneous Service Revenues	59,303	66,046
Search Revenues	26,778	26,470
Other Water Revenues	1,038,586	355,940
Total Other Operating Revenues	1,613,941	908,498
Total Operating Revenues	25,814,840	24,926,629
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses:		
Personnel Services	4,320,173	4,182,768
Contractual Services	2,589,522	2,686,417
Materials and Supplies	1,717,828	1,346,993
Administrative and General	1,655,630	1,718,300
Total Operation and Maintenance Expenses	10,283,153	9,934,478
Bad Debt	85,162	55,476
Depreciation	7,268,206	6,997,633
Taxes	391,366	376,646
Total Operating Expenses	18,027,887	17,364,233
<b>OPERATING INCOME</b>	<b>\$ 7,786,953</b>	<b>\$ 7,562,396</b>

**RACINE WATER AND WASTEWATER UTILITIES  
SCHEDULE OF FINDINGS AND QUESTIONED COTS  
YEAR ENDED DECEMBER 31, 2025**

	2025	2024
<b>OPERATING REVENUES</b>		
Metered Sales to General Customers:		
Residential	\$ 3,970,665	\$ 3,394,418
Multi-Family Residential	848,918	823,970
Commercial	982,490	953,384
Industrial	1,019,048	1,006,072
Municipal	6,325,752	7,714,577
Public Authorities	350,565	357,320
Total Metered Sales to General Customers	13,497,438	14,249,741
Other Operating Revenues:		
Forfeited Discounts	366,448	349,010
Other Sewer Revenues	217,027	232,517
Total Operating Revenues	14,080,913	14,831,268
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses:		
Personnel Services	3,515,990	3,313,673
Contractual Services	2,957,265	2,992,685
Materials and Supplies Expense	1,339,482	1,222,031
Customer Account Expenses	690,469	650,592
Administrative and General	1,448,872	578,716
Total Operation and Maintenance Expenses	9,952,078	8,757,697
Bad Debt	57,397	42,724
Depreciation and Amortization	3,085,699	3,896,879
Taxes	260,864	238,526
Total Operating Expenses	13,356,038	12,935,826
<b>OPERATING INCOME</b>	<b>\$ 724,875</b>	<b>\$ 1,895,442</b>



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