

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the
City of Kenosha, Wisconsin)
Kenosha, Wisconsin

BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

Board of Water Commissioners
The City of Kenosha Water Utility
Kenosha, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Kenosha Water Utility (the Utility), an enterprise fund of the City of Kenosha (the City), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the enterprise fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Kenosha Water Utility as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters

As discussed in Note 1, the financial statements present only the City of Kenosha Water Utility and do not purport to, and do not, present fairly the financial position of the City of Kenosha, Wisconsin, as of December 31, 2020 and 2019 and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 12, the schedule of the Utility's allocation of the City's proportionate share of the net pension liability, schedule of Kenosha Water Utility contributions – Wisconsin Retirement System, schedule of changes in the Utility's total OPEB health insurance liability and related ratios, schedule of the Utility's allocation of the City's proportionate share of the net OPEB liability – Local Retiree Life Insurance Fund, and the schedule of Kenosha Water Utility contributions – Local Retiree Life Insurance Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Kenosha Water Utility's basic financial statements. The supplementary schedules on pages 58 through 68 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
July 26, 2021

Management's Discussion and Analysis

The management discussion and analysis of the Kenosha Water Utility's financial performance provides an overall review of financial activities for the years ended December 31, 2020 and 2019. This information should be read in conjunction with the financial statements.

2020 Financial Highlights

The Utility's combined net position increased to \$207.5 million from \$203.1 million. Events that had significant impact on the financial statements were:

- Operating revenues decreased approximately \$227,000 or 0.8% from 2019 while operating expenses decreased \$1.46 million or 5.7% from 2019. This resulted in an increase of approximately \$1.23 million or 60.6% in operating income compared to 2019.
- The Utility awarded contracts for water main relays totaling approximately \$1.5 million for various locations within the City of Kenosha. A contract was also awarded in the amount of \$770,000 for improvements to the Industrial Park Lift Station.
- Two projects completed at the wastewater treatment plant totaled approximately \$2.25 million; \$1.33 million for an upgrade to the aeration system blowers and \$922,000 to replace the cover of digester #2.
- The Utility received grants of approximately \$209,000 for privately-owned lead service line replacement from the State of Wisconsin Safe Drinking Water Lead Service Line Principal Forgiven Assistance Program. This allowed the Utility to pay 100% of the cost of most residential, privately-owned lead services lines replaced during 2020. In addition, the Utility replaced 125 Utility-owned lead service lines during 2020.
- The Utility accepted donated water and sewer main from developers valued at approximately \$1.8 million during 2020.

2019 Financial Highlights

The Utility's combined net position increased to \$203.1 million from \$201.7 million. Events that had significant impact on the financial statements were:

- Operating revenues decreased approximately \$450,000 or 1.6% from 2018 while operating expenses increased \$2.48 million or 10.7% from 2018. This resulted in a decrease of approximately \$2.87 million or 58.5% in operating income compared to 2018.
- The Utility awarded a contract for the painting of the Industrial Park elevated storage tank at a cost of approximately \$506,000. All water main relay projects were undertaken by the Utility's distribution division during 2019.
- The energy optimized resource recovery project at the wastewater treatment plant was completed during 2019. A total of \$11.07 million was capitalized; a full year's depreciation was expensed for this project for 2019.
- Grants of approximately \$169,000 were given and loans of approximately \$177,000 were extended for the replacement of customer-owned lead water services during 2019.
- The Utility accepted donated sewer main from developers valued at approximately \$185,000 during 2019.

Overview of Financial Statements

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

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

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

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

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

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

The **required supplementary schedules** provide more details regarding the funding status and progress of the Other Post Employment Benefit and Pension plans.

The **supplementary schedules** provide more detail than the preceding statements. A Schedule of Capital Assets is provided for the Water, Sewerage, and Household Hazardous Waste units. Detailed operating revenue and expense schedules are provided as well as the water tax equivalent calculation.

Summary of Organization and Business

The Kenosha Water Utility's mission is:

“Providing and Protecting Kenosha's Greatest Natural Resource – *Water*”

The Kenosha Water Utility (KWU) provides water and wastewater service to more than 100,000 persons in the greater Kenosha area, including the City of Kenosha, Villages of Pleasant Prairie, Somers and Bristol, and the Town of Somers. The Kenosha Water Utility also provides a monthly household hazardous waste collection service for City of Kenosha residents.

The Kenosha Water Utility is a municipally-owned, fiscally-independent public utility organized under authority of Section 66.0805 of the Wisconsin State Statutes and Chapter XXXII of the City of Kenosha Code of General Ordinances. The Utility is an enterprise fund of the City of Kenosha and is solely financed by service charges operating like a private business entity. The Utility has no taxing power and receives no tax revenues from the City of Kenosha. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers, developers, federal and state grants and loans, bond sales, and Utility revenues.

The Board of Water Commissioners is composed of six aldermen appointed under authority of Section 1.06H of the City of Kenosha Code of General Ordinances. The powers and duties of the Board of Water Commissioners include establishing policy, adopting rules and regulations, adopting an annual budget, establishing rates and fees, and approving contracts and agreements. The management and operation of the Water Utility is under the direction of the General Manager who is appointed by the Board of Water Commissioners.

Surface water from Lake Michigan has been Kenosha's source of water since 1894. Lake Michigan water is valued for both its quality and quantity. The Utility provides reliable high quality potable water used for drinking, irrigation, fire protection, and other purposes. The wastewater treatment plant provides primary and secondary treatment with disinfection in accordance with permits from the State of Wisconsin Department of Natural Resources. The treated wastewater is discharged to Lake Michigan and the solids are transported to a landfill. Both plants are in compliance with all state and federal regulations. The Household Hazardous Waste program was established in 1992 and provides for a monthly drop-off service to city residential customers; wastes are disposed of by licensed waste haulers.

Financial Analysis of the Utility

The Utility's financial condition is consistent with prior years with adequate liquid assets, reliable up to date facilities, and systems to meet demand as well as a reasonable level of unrestricted net assets. Management feels that the current financial condition, technical support staff capabilities and operating and expansion plans will meet anticipated customer needs.

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

Condensed Summary of Net Position

	December 31			Variance of 2020 to 2019 Increase (decrease)	
	2020	2019	2018	Dollars	%
Capital assets:					
Net plant in service	\$ 159,796,037	\$ 157,765,703	\$ 147,587,941	\$ 2,030,334	1.3 %
Construction in progress	4,581,383	2,307,372	14,162,544	2,274,011	98.6
Other capital assets	1,054,839	1,054,839	1,074,404	-	0.0
Current, restricted and other assets	<u>52,834,372</u>	<u>49,478,805</u>	<u>47,833,154</u>	<u>3,355,567</u>	<u>6.8</u>
Total assets	<u>218,266,631</u>	<u>210,606,719</u>	<u>210,658,043</u>	<u>7,659,912</u>	<u>3.6</u>
Deferred outflows of resources:					
Deferred pension resources	3,921,904	5,152,234	2,820,636	(1,230,330)	(23.9)
Deferred OPEB resources	<u>470,613</u>	<u>72,272</u>	<u>77,004</u>	<u>398,341</u>	<u>551.2</u>
Total deferred outflows of resources	<u>4,392,517</u>	<u>5,224,506</u>	<u>2,897,640</u>	<u>(831,989)</u>	<u>(15.9)</u>
Current liabilities	6,172,418	4,948,571	5,410,001	1,223,847	24.7
Long-term liabilities	<u>3,460,825</u>	<u>4,871,992</u>	<u>3,160,075</u>	<u>(1,411,167)</u>	<u>(29.0)</u>
Total liabilities	<u>9,633,243</u>	<u>9,820,563</u>	<u>8,570,076</u>	<u>(187,320)</u>	<u>(1.9)</u>
Deferred inflows of resources:					
Deferred pension resources	5,309,931	2,715,702	3,221,721	2,594,229	95.5
Deferred OPEB resources	<u>196,425</u>	<u>162,842</u>	<u>8,190</u>	<u>33,583</u>	<u>20.6</u>
Total deferred inflows of resources	<u>5,506,356</u>	<u>2,878,544</u>	<u>3,229,911</u>	<u>2,627,812</u>	<u>91.3</u>
Net position:					
Net investment in capital assets	165,432,259	161,630,797	162,617,964	3,801,462	2.4
Restricted for debt service	-	2,937,800	2,863,029	(2,937,800)	(100.0)
Restricted for pension	1,771,150	-	1,632,829	1,771,150	100.0
Unrestricted	<u>40,316,140</u>	<u>38,563,521</u>	<u>34,641,874</u>	<u>1,752,619</u>	<u>4.5</u>
Total net position	<u>\$ 207,519,549</u>	<u>\$ 203,132,118</u>	<u>\$ 201,755,696</u>	<u>\$ 4,387,431</u>	<u>2.2 %</u>

In 2020, total net position increased \$4.38 million or 2.2%. This is due to combined net income, before capital contributions, of the water, sewerage, and household hazardous waste units of \$1.62 million, an increase of 176.3% from 2019 and capital contributions of \$2.76 million. Capital contributions consisted of approximately \$964,000 in assessments and impact fees and \$1.8 million of donated infrastructure.

In 2019, total net position increased \$1.37 million or 0.7%. This is due to combined net income, before capital contributions, of the water, sewerage, and household hazardous waste units of \$587,000, a decrease of 80.0% from 2018 and capital contributions of \$789,000. Capital contributions consisted of approximately \$604,000 in assessments and impact fees and \$185,000 of donated infrastructure.

In 2020, total assets increased approximately \$7.66 million. Capital assets increased \$7.19 million while construction in progress increased \$2.27 million; accumulated depreciation increased \$5.16 million. Current, restricted and other assets increased approximately \$3.36 million or 6.8%.

In 2019, total assets remained flat decreasing just \$51,000. Capital assets increased \$15.69 million while construction in progress decreased \$11.85 million; accumulated depreciation increased \$5.54 million. Current, restricted and other assets increased \$1.64 million or 3.4%.

The Water, Sewerage, and Household Hazardous Waste units are self-supporting divisions. Net assets of one division are not permanently used by other divisions.

Condensed Summary of Revenues, Expenses and Changes in Fund Net Position

	Year ended December 31			Variance of 2020 to 2019 Increase (decrease)	
	2020	2019	2018	Dollars	%
Revenues:					
Water service revenues	\$ 12,213,722	\$ 11,882,120	\$ 12,270,451	\$ 331,602	2.8 %
Sewerage service revenues	10,936,599	11,328,130	11,352,816	(391,531)	(3.5)
Household Hazardous Waste revenues	166,964	166,741	166,517	223	0.1
Other revenues	<u>4,118,717</u>	<u>4,286,316</u>	<u>4,323,635</u>	<u>(167,599)</u>	<u>(3.9)</u>
Total operating revenues	<u>27,436,002</u>	<u>27,663,307</u>	<u>28,113,419</u>	<u>(227,305)</u>	<u>(0.8)</u>
Expenses:					
Operating and maintenance, before depreciation and taxes					
Water operations	5,619,887	6,172,553	5,839,051	(552,666)	(9.0)
Sewerage operations	6,822,727	6,983,195	6,510,088	(160,468)	(2.3)
Household Hazardous Waste	173,056	180,457	171,764	(7,401)	(4.1)
Depreciation	5,887,990	5,926,426	5,251,014	(38,436)	(0.6)
Customer accounting and collecting, administrative and general	<u>5,664,391</u>	<u>6,366,342</u>	<u>5,435,267</u>	<u>(701,951)</u>	<u>(11.0)</u>
Total operating expenses	<u>24,168,051</u>	<u>25,628,973</u>	<u>23,207,184</u>	<u>(1,460,922)</u>	<u>(5.7)</u>
Operating income	<u>3,267,951</u>	<u>2,034,334</u>	<u>4,906,235</u>	<u>1,233,617</u>	<u>60.6</u>
Nonoperating revenues	675,485	811,196	614,624	(135,711)	(16.7)
Nonoperating expenses	<u>(1,110)</u>	<u>(5,801)</u>	<u>(231,004)</u>	<u>(4,691)</u>	<u>(80.9)</u>
Increase in net position, before capital contributions and transfers	<u>3,942,326</u>	<u>2,839,729</u>	<u>5,289,855</u>	<u>1,102,597</u>	<u>38.8</u>
Capital contributions:					
Assessments, impact fees and grants	963,940	604,129	297,015	359,811	59.6
Donated by developers	1,801,765	185,268	-	1,616,497	872.5
Transfers out	<u>(2,320,600)</u>	<u>(2,252,704)</u>	<u>(2,360,152)</u>	<u>67,896</u>	<u>3.0</u>
Increase in net position	4,387,431	1,376,422	3,226,718	3,011,009	218.8
Net position at beginning of year	203,132,118	201,755,696	199,207,875	1,376,422	0.7
Prior period adjustment	-	-	(678,897)	-	0.0
Net position at end of year	<u>\$ 207,519,549</u>	<u>\$ 203,132,118</u>	<u>\$ 201,755,696</u>	<u>\$ 4,387,431</u>	<u>2.2 %</u>

Revenues from operations fall into four general categories: water service, sewerage service, household hazardous waste and other charges. Other charges include penalty fees and charges for miscellaneous billed services.

The number of metered customers increased 0.2% during 2020. Water consumption increased 3.2%. Water service revenues increased approximately \$331,000 or 2.8%. Sewerage service revenues decreased approximately \$391,000 or 3.5%. The increase in water service revenues is due to increased water consumption by the residential customer class and sales to other municipalities; the decrease in sewerage service revenues is attributable to decreased sewage flow by the commercial and public customer classes and a decrease in sewer service charges to other municipalities.

Operating expenses decreased 5.7% or approximately \$1.46 million during 2020. Water Unit operations expenses increased 9.0% or \$552,666 due to increased costs for power and pumping maintenance, maintenance of reservoirs and standpipes and employee benefits and insurance expense. Sewerage Unit operation expenses decreased 2.3% or approximately \$160,000 mainly due to decreases in maintenance expenses of wastewater treatment plant structures and equipment, increased cost for collection system expenses and decreases in engineering services expenses. Operating expenses in the Household Hazardous Waste Unit decreased approximately \$7,400 or 4.1% due to decreased administrative wage and benefit expenses. Customer accounting and collecting, administrative and general expenses for all units decreased approximately \$702,000 or 11.0% due mainly to decreased employee benefit and insurance expense. Depreciation expense for all units decreased approximately \$38,000 – a decrease of approximately \$379,000 for the Water Unit and an increase of approximately \$341,000 for the Sewerage Unit - or 0.6%.

Operating income for 2020 increased 60.6% or approximately \$1.23 million. Nonoperating revenues decreased 16.7% or approximately \$136,000 due to decreased net investment income of \$227,000 and increased grant and other miscellaneous revenues of \$91,000; nonoperating expenses decreased 80.9% or approximately \$4,700 due to decreases in interest expense and amortization on long-term debt.

The number of metered customers increased 0.1% during 2019. Water consumption decreased 2.2%. Water service revenues decreased approximately \$388,000 or 3.2%. Sewerage service revenues decreased approximately \$24,000 or 0.2%. The decrease in water service revenues is due to decreased water consumption by all customer classes; the decrease in sewerage service revenues is attributable to decreased sewage flow by residential, commercial, industrial and public customers and an increase in sewer service charges to other municipalities.

Operating expenses increased 10.4% or approximately \$2.42 million during 2019. Water Unit operations expenses increased 5.7% or \$333,000 due to increased costs for power and pumping, maintenance of reservoirs and standpipes and costs related to the replacement of customer-owned lead service lines. Sewerage Unit operation expenses increased 7.3% or approximately \$473,000 mainly due to increases in maintenance expenses of wastewater treatment plant structures and equipment, increased cost for sludge handling and increases in engineering services expenses. Operating expenses in the Household Hazardous Waste Unit increased approximately \$8,700 or 5.1% due to increased wage and benefit expenses. Customer accounting and collecting, administrative and general expenses for all units increased approximately \$931,000 or 17.1% due mainly to increased wage and benefit expenses. Depreciation expense for all units increased approximately \$675,000 – \$98,000 for the Water Unit and \$577,000 for the Sewerage Unit - or 12.9%. The larger than normal increase in depreciation expense in the Sewerage Unit is due to the capitalization of the completed energy optimized resource recovery project.

Operating income for 2019 decreased 58.5% or approximately \$2.87 million. Nonoperating revenues increased 32.0% or approximately \$196,000 due to increased net investment income; nonoperating expenses decreased 97.5% or approximately \$225,000 due to decreases in interest expense and amortization on long-term debt.

For 2020, the increase in net position of \$4.39 million is approximately \$3.01 million more than the previous year's increase of \$1.38 million or an increase of 218.8%. This is attributable to a decrease in operating income and increases in nonoperating income, assessments, impact fees and infrastructure donations from developers. The increase (decrease) in net position attributable to the Water, Sewerage and Household Hazardous Waste Units were approximately \$2,585,000, \$1,795,000 and \$7,900, respectively.

For 2019, the increase in net position of \$1.38 million is approximately \$1.17 million less than the previous year's increase of \$2.55 million or a decrease of 45.9%. This is attributable to a decrease in operating income and increases in nonoperating income, assessments, impact fees and infrastructure donations from developers. The increase (decrease) in net position attributable to the Water, Sewerage and Household Hazardous Waste Units were approximately (\$276,000), \$1,649,000 and \$3,000, respectively.

Capital Assets and Debt Administration

Capital Assets

Changes in Capital Assets

	<u>Balance</u> <u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Capital assets not being depreciated:					
Land and land improvements	\$ 2,148,031	\$ 99,960	\$ 103	\$ -	\$ 2,247,888
Construction in progress	<u>2,307,372</u>	<u>6,031,787</u>	<u>3,757,776</u>	<u>-</u>	<u>4,581,383</u>
Total capital assets not being depreciated	<u>4,455,403</u>	<u>6,131,747</u>	<u>3,757,879</u>	<u>-</u>	<u>6,829,271</u>
Capital assets being depreciated:					
Revenue producing and service equipment:					
Wastewater collection system	1,479,785	428,206	16,795	(102,631)	1,788,565
Production pumping	4,575,974	5,350	65,768	(65,000)	4,450,556
Collection system pumping	9,329,520	179,541	49,421	65,000	9,524,640
Production purification	15,198,732	9,129	5,705	-	15,202,156
Wastewater treatment and disposal	<u>28,460,266</u>	<u>2,322,245</u>	<u>232,562</u>	<u>-</u>	<u>30,549,949</u>
Total revenue producing and service equipment	<u>59,044,277</u>	<u>2,944,471</u>	<u>370,251</u>	<u>(102,631)</u>	<u>61,515,866</u>
Buildings and structures:					
Production intake	3,425,277	-	-	-	3,425,277
Wastewater collection system	81,848,641	894,188	-	-	82,742,829
Production pumping	3,770,698	-	-	-	3,770,698
Collection system pumping	11,814,297	171,313	-	102,631	12,088,241
Production purification	8,527,402	-	-	-	8,527,402
Wastewater treatment and disposal	11,627,765	58,162	5,332	-	11,680,595
Transmission and distribution	85,586,715	2,173,948	162,711	-	87,597,952
General plant	<u>2,283,428</u>	<u>870,447</u>	<u>17,277</u>	<u>-</u>	<u>3,136,598</u>
Total buildings and structures	<u>208,884,223</u>	<u>4,168,058</u>	<u>185,320</u>	<u>102,631</u>	<u>212,969,592</u>
Office furnishings, shop equipment and other:					
General equipment	10,070,307	740,234	192,866	(55,945)	10,561,730
Engineering equipment	<u>487,059</u>	<u>28,296</u>	<u>37,813</u>	<u>55,945</u>	<u>533,487</u>
Total office furnishings, shop equipment and other	<u>10,557,366</u>	<u>768,530</u>	<u>230,679</u>	<u>-</u>	<u>11,095,217</u>
Total capital assets being depreciated	<u>278,485,866</u>	<u>7,881,059</u>	<u>786,250</u>	<u>-</u>	<u>285,580,675</u>
Total accumulated depreciation	<u>121,813,355</u>	<u>5,887,989</u>	<u>723,657</u>	<u>-</u>	<u>126,977,687</u>
Total capital assets being depreciated, net	<u>156,672,511</u>	<u>1,993,070</u>	<u>62,593</u>	<u>-</u>	<u>158,602,988</u>
Total capital assets, net	<u>\$ 161,127,914</u>	<u>\$ 8,124,817</u>	<u>\$ 3,820,472</u>	<u>\$ -</u>	<u>\$ 165,432,259</u>

The Utility had combined investment in capital assets of \$292.4 million at the end of 2020. Construction in progress increased \$2.27 million. Accumulated depreciation totaled approximately \$127.0 million resulting in a net book value of \$165.4 million. In 2020, the Utility recorded combined depreciation expense of approximately \$5.88 million. More detailed information about capital assets may be found in the supplemental information section report – Schedule of Capital Assets – for the Water, Sewerage, and Hazardous Waste Units as well as in Note 4 to the financial statements.

Long-Term Debt

The Utility had no long-term term debt outstanding as of December 31, 2020. The final debt payment of the Clean Water Fund Loan was made during 2020.

The Utility had \$105,000 in long-term term debt outstanding as of December 31, 2019. This amount is due within one year (see Note 5 to the audited financial statements regarding classification of revenue bond debt). Outstanding debt decreased approximately \$102,000 or 49.22% due to scheduled debt payments.

Detailed schedules concerning other long-term debt activity may be found in Note 5 to the audited financial statements.

Long-Term Debt Activity

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020	Due Within One Year
Bonds, loans and advances payable:					
Clean Water Fund loans	\$ 105,076	\$ -	\$ 105,076	\$ -	\$ -
Worker's compensation accrued liability	121,956	-	120,007	1,949	-
Other post employment benefits	2,496,637	678,451	94,550	3,080,538	94,550
Net pension liability - WRS	1,965,081	-	1,965,081	-	-
Accrued compensated absences	554,211	74,034	56,004	572,241	99,353
	<u>\$ 5,242,961</u>	<u>\$ 752,485</u>	<u>\$ 2,340,718</u>	<u>\$ 3,654,728</u>	<u>\$ 193,903</u>

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Due Within One Year
Bonds, loans and advances payable:					
Clean Water Fund loans	\$ 206,925	\$ -	\$ 101,849	\$ 105,076	\$ 105,076
Advance from City of Kenosha	93,013	-	93,013	-	-
Worker's compensation accrued liability	163,530	-	41,574	121,956	-
Other post employment benefits	2,458,496	109,141	71,000	2,496,637	175,000
Net pension liability - WRS	-	1,965,081	-	1,965,081	-
Accrued compensated absences	690,124	36,542	172,455	554,211	90,893
	<u>\$ 3,612,088</u>	<u>\$ 2,110,764</u>	<u>\$ 479,891</u>	<u>\$ 5,242,961</u>	<u>\$ 370,969</u>

Economic Factors and the Utility's Future

The utility, in its continuing commitment to provide a safe water supply to our customers has undertaken a multi-year project to replace all Utility-owned lead water services at Utility expense. In order to encourage the replacement of privately-owned lead water services, the Utility filed docket 2820-LS-100 with the Public Service Commission of Wisconsin to create a grant and loan program to assist with replacement of privately-owned lead water services; this request was approved on August 31, 2018. The Utility has submitted an application for a water rate increase to comply with the PSCW's order stating that the Utility must submit an application for a full water rate case no later than two years from the effective date of their Final Decision of docket 2820-LS-100.

The Utility replaced 125 Utility-owned lead water services during 2020; property owners replaced more than 69 privately-owned lead water services during 2020. The Utility estimates that there are 8,468 Utility-owned lead water services and up to 4,300 privately-owned water services that may contain lead.

The Utility applied to the State of Wisconsin Department of Natural Resources for monies from the State of Wisconsin Save Drinking Water Lead Service Line Principal Forgiven Assistance Program. In April 2021 the Utility received \$209,000 that paid 100% of the cost of most residential, privately-owned lead service lines replaced during 2020. The Utility has approval to apply for additional monies for the 2021 construction season. Commercial, public and industrial privately-owned lead water service line replacements will still be eligible for grants and loans as outlined in docket 2820-LS-100.

There are no restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for future use.

Contacting the Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Kenosha Water Utility, Director of Business Services, 4401 Green Bay Road, Kenosha, Wisconsin 53144.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha)

Statements of Net Position
December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 7,866,704	\$ 11,436,131
Investments	28,005,047	20,405,050
Restricted cash and cash equivalents	-	2,832,368
Restricted cash - Storm Water Utility collections	378,549	358,496
Restricted Investments	-	105,987
Accounts receivable	4,554,706	4,230,156
Unbilled revenue	2,614,678	2,446,581
Inventories	571,635	483,137
Other current assets	262,886	222,076
Total current assets	44,254,205	42,519,982
Noncurrent assets:		
Investments	1,136,109	989,605
Other assets		
Special Assessments	222,300	222,901
Unbilled assessments	4,854,808	5,138,358
Regulatory asset	595,800	607,959
Pension asset - Wisconsin Retirement System	1,771,150	-
Capital assets:		
Capital assets not being depreciated:		
Land and land improvements	2,247,888	2,148,031
Construction in progress	4,581,383	2,307,372
Capital assets being depreciated:		
Revenue producing and service equipment	61,515,866	59,044,277
Buildings and structures	212,969,592	208,884,223
Office furnishings, shop equipment, and other	11,095,217	10,557,366
Less accumulated depreciation	(126,977,687)	(121,813,355)
Total capital assets, net of accumulated depreciation	165,432,259	161,127,914
Total noncurrent assets	174,012,426	168,086,737
Total assets	218,266,631	210,606,719
Deferred Outflows of Resources		
Deferred pension resources	3,921,904	5,152,234
Deferred OPEB resources	470,613	72,272
Total deferred outflows of resources	4,392,517	5,224,506
Liabilities		
Current liabilities:		
Accounts payable	763,372	813,835
Accrued liabilities	-	555
Accrued property taxes	2,320,600	2,252,704
Current portion of accrued compensated absences	99,353	90,893
Current portion of long-term obligations	-	105,076
Current portion of net other postemployment benefit obligations	94,550	175,000
Due to City of Kenosha	2,477,743	1,106,563
Due to City of Kenosha - Storm Water Utility collections	378,549	358,496
Other current liabilities	38,251	45,449
Total current liabilities	6,172,418	4,948,571
Noncurrent liabilities:		
Long-term portion of accrued compensated absences	472,888	463,318
Worker's compensation accrued liability	1,949	121,956
Net other postemployment benefit obligations	2,985,988	2,321,637
Pension liability - Wisconsin Retirement System	-	1,965,081
Total noncurrent liabilities	3,460,825	4,871,992
Total liabilities	9,633,243	9,820,563
Deferred Inflows of Resources		
Deferred pension resources	5,309,931	2,715,702
Deferred OPEB resources	196,425	162,842
Total deferred inflows of resources	5,506,356	2,878,544
Net Position		
Net investment in capital assets	165,432,259	161,630,797
Restricted for regulatory capital needs	-	2,937,800
Restricted for pension	1,771,150	-
Unrestricted	40,316,140	38,563,521
Total net position	\$ 207,519,549	\$ 203,132,118

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

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha)

Statements of Revenues, Expenses and Changes in Fund Net Position

Years ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Charges for services	\$ 23,317,285	\$ 23,376,991
Miscellaneous	4,118,717	4,286,316
Total operating revenues	27,436,002	27,663,307
Operating expenses:		
General and administrative	5,664,391	6,366,342
Operations and maintenance	12,615,670	13,336,205
Depreciation	5,887,990	5,926,426
Total operating expenses	24,168,051	25,628,973
Operating income	3,267,951	2,034,334
Nonoperating revenues (expenses):		
Net investment income	545,170	772,464
Interest expense	(1,110)	(5,801)
Miscellaneous	130,315	38,732
Total nonoperating revenue (expenses)	674,375	805,395
Increase in net position before capital contributions and transfers	3,942,326	2,839,729
Capital contributions	2,765,705	789,397
Transfers out	(2,320,600)	(2,252,704)
Increase in net position	4,387,431	1,376,422
Net position at beginning of year	203,132,118	201,755,696
Net position at end of year	\$ 207,519,549	\$ 203,132,118

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

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha)
Statements of Cash Flows
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	\$ 26,929,690	\$ 27,992,142
Payments to suppliers	(11,299,415)	(13,292,656)
Payments to employees	(5,521,267)	(5,648,381)
City of Kenosha Storm Water Utility collections	6,814,263	6,543,619
Remittance of City of Kenosha Storm Water Utility collections	(6,794,210)	(6,518,975)
Net cash provided by operating activities	10,129,061	9,075,749
Cash flows from noncapital financing activities:		
Advances paid to other funds	-	(93,013)
Interest paid on noncapital debt	-	(2,790)
Miscellaneous receipts	130,315	38,732
Transfer to City of Kenosha	(2,252,704)	(2,360,152)
Net cash used in noncapital financing activities	(2,122,389)	(2,417,223)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,103,331)	(3,947,712)
Acquisition of regulatory asset	-	(607,959)
Special assessments collected (purchased)	281,677	(133,364)
Grant proceeds	126,829	-
Impact fees and contributions collected	492,763	522,906
Customer deposits for construction	(9,500)	(370,499)
Proceeds on disposal of capital assets	53,183	90,504
Principal paid on capital debt	(105,076)	(101,849)
Interest paid on capital debt	(1,665)	(3,549)
Net cash used in capital and related financing activities	(7,265,120)	(4,551,522)
Cash flows from investing activities:		
Sale of investments	20,585,642	11,207,072
Purchase of investments	(28,226,156)	(21,500,642)
Interest and dividends received	517,220	769,905
Net cash provided by (used in) investing activities	(7,123,294)	(9,523,665)
Net increase (decrease) in cash and cash equivalents	(6,381,742)	(7,416,661)
Cash and cash equivalents – beginning of year	14,626,995	22,043,656
Cash and cash equivalents – end of year	\$ 8,245,253	\$ 14,626,995
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash and cash equivalents	\$ 7,866,704	\$ 11,436,131
Restricted cash and cash equivalents	378,549	3,190,864
Total cash and cash equivalents	\$ 8,245,253	\$ 14,626,995
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,267,951	\$ 2,034,334
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	5,887,990	5,926,426
Amortization of regulatory asset	12,159	-
Loss (gain) on disposal of capital assets	3,925	(105,752)
Changes in assets and liabilities:		
Accounts receivable	(324,551)	181,588
Unbilled revenues	(168,097)	156,429
Inventories	(88,498)	10,198
Other current assets	(10,387)	(5,904)
Accounts payable	(50,463)	4,708
Compensated absences	18,030	(135,913)
Worker's compensation accrued liability	(120,007)	(41,574)
Pension benefits	(3,736,231)	3,597,910
Deferred outflows of resources related to pensions	1,230,332	(2,331,598)
Deferred outflows of resources related to OPEB	(398,341)	4,732
Other post employment benefits	583,902	38,141
Deferred inflows of resources related to pensions	2,594,229	(506,019)
Deferred inflows of resources related to OPEB	33,583	154,652
Payable to City of Kenosha	1,391,233	93,391
Other current liabilities	2,302	-
Total adjustments	6,861,110	7,041,415
Net cash provided by operating activities	\$ 10,129,061	\$ 9,075,749
Contributions of capital assets from developers, including assessments and impact fees	\$ 1,839,844	\$ 761,615

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

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

Nature of Business

The City of Kenosha Water Utility (Utility) is an enterprise fund of the City of Kenosha, Wisconsin (City) and is comprised of three units: Water, Sewerage, and Household Hazardous Waste. The Utility is governed by the City of Kenosha Board of Water Commissioners (Board) consisting of six members appointed by the Mayor of the City of Kenosha.

These financial statements present only the City of Kenosha Water Utility and are not intended to present the financial position and results of operations of the City of Kenosha, Wisconsin in conformity with accounting principles generally accepted in the United States of America.

The Water Unit operates, maintains, and constructs the City's water system. Services are financed primarily by user charges. The Water Unit charges rates and operates under service rules established by the Public Service Commission of Wisconsin (PSCW). Accounting records of the Water Unit are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW.

The Sewerage Unit operates, maintains, and constructs the City's sewage collection and treatment system. Services are financed primarily by user charges. Service rates and rules are established by the Board.

The Household Hazardous Waste Unit collects, stores, and disposes of residential household hazardous waste. Services are financed primarily by user charges. Service rates and rules are established by the Board.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounting policies of the Utility conform to U.S. generally accepted accounting principles (GAAP) for enterprise funds as formulated by the Governmental Accounting Standards Board. The accounts of the Utility, which are organized as an enterprise fund, are used to account for the Utility's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Utility maintains its records on the full accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Utility receives value without directly giving equal value in return, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Utility on a reimbursement basis.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents, including restricted cash and cash equivalents, are considered to have original maturities of three months or less from the date of purchase.

Receivables/Payables

Transactions between the Utility and other funds of the City that are representative of lending/borrowing arrangements outstanding at year end are referred to as advance to/from the municipality. All other outstanding balances between the Utility and other funds of the City are reported as due to/from other funds.

The Utility has the right under Wisconsin statutes to place special assessments and delinquent water and sewerage bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

Materials and Supplies

Inventories of materials and supplies are generally used for construction, operation, and maintenance work, and are not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction and expense when used.

Restricted Assets

Certain proceeds of the Utility's revenue bonds, as well as certain resources set aside for their repayment, system renewal and replacement, depreciation and taxes, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. In addition, amounts collected for the Storm Water Utility, which are due to the City, are considered restricted.

The Pension Asset – Wisconsin Retirement System represents the Utility's allocation of the City's proportionate share of the overfunded status of the Wisconsin Retirement System. These assets are held by the Wisconsin Retirement System in trust and their use is limited to the settlement of pension related obligations.

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

Other Current Assets

Other current assets include the current portion of special assessments receivable, interest receivable and prepaid expenses.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Investments

Investment of Utility funds is restricted by Wisconsin Statutes 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 three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The Wisconsin 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.

Investments, other than U.S. Treasury notes with original maturities of less than one year, are reported at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to report investments at fair value are recorded in the statement of revenues, expenses and change in net position as increases or decreases in investment income. U.S. Treasury notes are carried at amortized cost. Non-negotiable Certificates of Deposit are deposits reported at cost and are not subject to fair value measurement.

Special Assessments and Unbilled Assessments

Unbilled assessments represent assessments that have been levied upon properties within the City that are not currently connected to the Utility system. This balance also includes assessments levied on properties outside the boundaries of the City which are not collectible until and unless the property connects to the Utility system or is attached to the City. Amounts reported as special assessments represent amounts levied that are currently payable.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are defined by the Utility as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or the fair market value at the time of contribution to the Utility. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest incurred during the construction phase is expensed in the year incurred.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Useful life (years)
Water unit:	
Production intake	50-75
Production pumping	25-50
Production purification	18-50
Transmission and distribution	20-108
General plant and equipment	5-17
Sewerage unit:	
Collection system	20-100
Collection system pumping	20-50
Treatment and disposal	15-50
Engineering equipment	5-17
General plant and equipment	5-50
Household hazardous waste unit:	
Structures and improvements	25
Equipment	12

Compensated Absences

Vacation

The Utility compensates all employees upon termination for unused vacation earned in the current year. Employees may carry-over up to two weeks of unused vacation into the next calendar year to be used by June 30 of that year; any unused vacation carry-over not used by June 30 is forfeited.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Sick Leave

Utility employees are entitled to sick leave at a rate of one day per month of full-time service. Sick leave is paid upon normal retirement or disability up to a maximum of 66 days. Terminated employees are not compensated for unused sick leave. The balance sheets of the Water and Sewerage Units contain a liability for estimated accrued sick leave and associated fringe benefits.

Other Postemployment Benefits (OPEB) Retiree Health Insurance

The City provides post-retirement health care benefits to full-time employees. GASB Statement No. 75 was implemented by the Utility for the year ended December 31, 2018. The most notable change is that the Net OPEB liability will show as an item on the financial statement rather than a footnote entry.

Regularly appointed full-time employees retiring under the provisions of the Wisconsin Retirement System (WRS) with greater than or equal to fifteen years of service and who attained the age of sixty at the time of retirement, or regularly appointed full-time employees retiring under the provisions of the WRS with greater than or equal to eight years of service but less than fifteen years of service and who attained the age of sixty-two at the time of retirement, may retain City health insurance for themselves and their spouses and eligible dependents until the retiree becomes eligible for other paid health insurance, becomes eligible for Medicare, or until the retiree attains the age of sixty-five, whichever occurs first.

Other Postemployment Benefits (OPEB) Retiree Life Insurance

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and 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 employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Equity Classifications

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any 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 is 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.

Long-term Obligations

Long-term debt and other obligations are reported as Utility liabilities. Long-term debt is reported net of any premium or discount. Issuance costs are reported as expenses in the year incurred.

Pensions

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

Charges for Services

Billings for water and sewerage services are issued monthly to high-consumption users and bi-monthly to all other customers. Hazardous waste charges are billed bimonthly to all residential customers. Revenues are recognized on the accrual basis and include amounts for service rendered but not billed.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) **Summary of Significant Accounting Policies** (Continued)

Classification of Revenues

The Utility has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses arise from activities that have the characteristics of exchange transactions, including providing water, sewerage, and hazardous waste services. Nonoperating revenues and expenses arise from activities that have the characteristics of nonexchange transactions, such as those related grants and contributions. Investment activities are also classified as nonoperating.

Taxes

The Water Unit records an annual payment in lieu of taxes (PILOT) based on the value of its plant and materials and supplies inventory using the current assessment ratio and local and school portion of the mill rate. Municipal utilities are exempt from federal and state income taxes. A portion of the payment is allocated to the Sewerage Unit. The payment is recorded as a transfer out to the City's General Fund.

Use of Estimates

The preparation of the basic 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, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

New Accounting Pronouncements

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which address accounting and reporting requirements for certain asset retirement obligations. The Utility implemented the requirements of this standard beginning with the year ended December 31, 2019. The adoption of this statement had no impact on previously reported net position.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, which modifies the guidance regarding the identification and report of fiduciary activities for accounting and financial reporting. The Utility implemented the requirements of this standard beginning with the year ended December 31, 2019. The adoption of this statement had no impact on previously reported net position.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, which modifies the guidance regarding the classification, accounting and financial reporting of leases. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2022 in accordance with GASB Statement No. 95. The impact of this standard on the Utility's financial statements is not yet determined.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*, which address certain financial statement disclosures relate to debt transactions. The Utility implemented the requirements of this standard beginning with the year ending December 31, 2020. The adoption of this statement had no impact on previously reported net position.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*, which addresses specific accounting and financial reporting aspects of investments that meet the definition of a majority equity interest investment. The Utility implemented the requirements of this standard beginning with the year ended December 31, 2019. The adoption of this statement had no impact on previously reported net position.

In May 2019, the GASB issued GASB statement No. 91, *Conduit Debt Obligations*, which addresses certain accounting and financial reporting aspects of conduit debt obligations. This statement is effective for reporting periods beginning after December 15, 2021. The impact of this standard on the Utility's financial statements is not yet determined.

In January 2020, the GASB issued GASB statement No. 92, *Omnibus 2020*, which addresses a variety of accounting and financial report items, including specific item related to OPEB reporting and asset retirement obligations. This statement is effective for reporting periods beginning after June 15, 2021. The impact of this standard on the Utility's financial statements is not yet determined.

In March 2020, the GASB issued GASB statement No. 93, *Replacement of Interbank Offer Rates*, which addresses the use of future interbank offer rates. This statement is effective for reporting periods beginning after June 15, 2021. The impact of this standard on the Utility's financial statements is not yet determined.

In May 2019, the GASB issued GASB statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which addresses accounting and financial reporting of public-private and public-public partnership and availability payment arrangements. This statement is effective for reporting periods beginning after June 15, 2022. The impact of this standard on the Utility's financial statements is not yet determined.

CITY OF KENOSHA WATER UTILITY
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 December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In May 2020, the GASB issued GASB statement No. 96, *Subscription-Based Information Technology Arrangements*, which addresses accounting and financial reporting subscription-based information technology arrangements for government end users. This statement is effective for reporting periods beginning after June 15, 2022. The impact of this standard on the Utility's financial statements is not yet determined.

In June 2020, the GASB issued GASB statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which addresses accounting and financial reporting for deferred compensation plans that meet the requirements of IRS Code Section 457. This statement is effective for reporting periods beginning after June 15, 2021. The impact of this standard on the Utility's financial statements is not yet determined.

(2) Cash and Investments

The Utility, as an enterprise fund of the City, maintains separate cash and investment accounts at the same financial institutions utilized by the City. A summary of cash and investments as of December 31, 2020 and 2019 are as follows:

	2020	2019
Cash on hand	\$ 2,200	\$ 2,200
Demand deposits	8,243,053	14,624,795
U.S. Treasury notes	24,152,432	18,270,656
Certificates of deposit	1,448,645	-
Bonds	3,540,079	3,229,986
Total cash, cash equivalents and investments	\$ 37,386,409	\$ 36,127,637
Reconciliation to the financial statement:		
Current assets:		
Cash and cash equivalents	\$ 7,866,704	\$ 11,436,131
Investments	28,005,047	20,405,050
Restricted Cash	-	2,832,368
Restricted cash - Storm Water Utility collections	378,549	358,496
Restricted Investments	-	105,987
Noncurrent assets:		
Investments	1,136,109	989,605
Total cash, cash equivalents and investments	\$ 37,386,409	\$ 36,127,637

Investment Policy

The Utility's investments are made in accordance with the Utility's investment policy which is similar to the City of Kenosha's investment policies and the Wisconsin Statutes. A summary of authorized investments is included in Note 1.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

(2) Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Utility's deposits may not be returned. 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. Deposits are also insured for \$400,000 by the State Deposit Guarantee Fund. The investment policies require collateralization of deposits at financial institutions when the total amount of such deposits exceeds the insured limits. Federal depository insurance and the State of Wisconsin Guarantee Fund insurance apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the Utility alone.

Credit Risk

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

As of December 31, 2020 and 2019, the Utility was exposed to credit risk with investments in the following:

Investment Type	2020 Fair Value	2019 Fair Value	Moody's Rating
Corporate Bonds	\$ 500,609	\$ -	Aaa
Corporate Bonds	1,281,523	989,604	Aa1
Corporate Bonds	-	805,991	Aa2
Corporate Bonds	-	943,630	Aa3
Corporate Bonds	1,757,947	490,761	A1
Total Fair Value of Investments subject to credit risk	<u>\$ 3,540,079</u>	<u>\$ 3,229,986</u>	

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. As of December 31, 2020, the Utility's investments are U.S. Treasury notes and corporate bonds with maturities of less than two years as follows:

Investment Type	Carrying Value	Less than 1	Investment maturities (in years)		
			1 to 5	6 to 10	More than 10
U.S. Treasury notes	\$ 24,152,432	\$ 23,016,323	\$ 1,136,109	\$ -	\$ -
Corporate Bonds	3,540,079	3,540,079	-	-	-
Total Fair Value of Investments	<u>\$ 27,692,511</u>	<u>\$ 26,556,402</u>	<u>\$ 1,136,109</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

(2) Cash and Investments (Continued)

Interest Rate Risk (continued)

As of December 31, 2019, the Utility's investments were in U.S. Treasury notes and corporate bonds with maturities of less than two years as follows:

Investment Type	Carrying Value	Less than 1	Investment maturities (in years)		
			1 to 5	6 to 10	More than 10
U.S. Treasury notes	\$ 18,270,656	\$ 18,270,656	\$ -	\$ -	\$ -
Corporate Bonds	3,229,986	2,240,381	989,605	-	-
Total Fair Value of Investments	\$ 21,500,642	\$ 20,511,037	\$ 989,605		\$ -

Fair Value Measurements

The Utility uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Utility follows 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 Utility has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

Fair Value Measurements (Continued)

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 Utility has the following assets that are subject to fair value measurements as of December 31, 2020:

	Fair Value	Level 1	Level 2	Level 3	Exempted from Disclosure
Corporate bonds	\$ 3,540,079	\$ -	\$ 3,540,079	\$ -	\$ -
U.S. Treasury Notes	1,136,109	-	1,136,109	-	23,016,323
Total Fair Value of Investments	\$ 4,676,188	\$ -	\$ 4,676,188	\$ -	\$ 23,016,323

The Utility had the following assets that were subject to fair value measurements as of December 31, 2019:

	Fair Value	Level 1	Level 2	Level 3	Exempted from Disclosure
Corporate bonds	\$ 3,229,986	\$ -	\$ 3,229,986	\$ -	\$ -
U.S. Treasury notes	-	-	-	-	18,270,656
Total Fair Value of Investments	\$ 3,229,986	\$ -	\$ 3,229,986	\$ -	\$ 18,270,656

(3) Restricted Assets

Restricted assets have been established in accordance with the requirements of debt agreements, pension restrictions, and City policies as follows:

	2020			
	Water Unit	Sewer Unit	Household Hazardous Waste Unit	Total
Restricted for Storm Water Utility collections due to the City of Kenosha	-	378,549	-	378,549
Total restricted assets	\$ -	\$ 378,549	\$ -	\$ 378,549
Restricted cash and cash equivalents	-	378,549	-	378,549
Total restricted assets	\$ -	\$ 378,549	\$ -	\$ 378,549

	2019			
	Water Unit	Sewer Unit	Household Hazardous Waste Unit	Total
Restricted for Debt Service				
Debt service account	-	108,031	-	108,031
Restricted for renewal and replacement	-	1,770,617	-	1,770,617
Restricted for depreciation	-	1,059,707	-	1,059,707
Restricted for Storm Water Utility collections due to the City of Kenosha	-	358,496	-	358,496
Total restricted assets	\$ -	\$ 3,296,851	\$ -	\$ 3,296,851
Restricted cash and cash equivalents	-	3,190,864	-	3,190,864
Restricted investments	-	105,987	-	105,987
Total restricted assets	\$ -	\$ 3,296,851	\$ -	\$ 3,296,851

CITY OF KENOSHA WATER UTILITY
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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

(4) Capital Assets

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

	Balance January 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance December 31, 2020
Capital assets not being depreciated:					
Land and land improvements	\$ 2,148,031	\$ 99,960	\$ 103	\$ -	\$ 2,247,888
Construction in progress	2,307,372	6,031,787	3,757,776	-	4,581,383
Total capital assets not being depreciated	4,455,403	6,131,747	3,757,879	-	6,829,271
Capital assets being depreciated:					
Revenue producing and service equipment	59,044,277	2,944,471	370,251	(102,631)	61,515,866
Buildings and structures	208,884,223	4,172,108	189,370	102,631	212,969,592
Office furnishings, shop equipment, and other	10,557,366	758,996	221,145	-	11,095,217
Total capital assets being depreciated	278,485,866	7,875,575	780,766	-	285,580,675
Less accumulated depreciation:					
Revenue producing and service equipment	47,901,752	2,159,025	370,051	-	49,690,726
Buildings and structures	67,824,158	3,212,362	150,925	-	70,885,595
Office furnishings, shop equipment, and other	6,087,445	516,603	202,682	-	6,401,366
Total accumulated depreciation	121,813,355	5,887,990	723,658	-	126,977,687
Total capital assets being depreciated, net	156,672,511	1,987,585	57,108	-	158,602,988
Total capital assets, net	\$ 161,127,914	\$ 8,119,332	\$ 3,814,987	\$ -	\$ 165,432,259

CITY OF KENOSHA WATER UTILITY
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NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(4) Capital Assets (Continued)

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

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Capital assets not being depreciated:				
Land and land improvements	\$ 2,151,309	\$ -	\$ 3,278	\$ 2,148,031
Construction in progress	14,162,544	3,606,601	15,461,773	2,307,372
Total capital assets not being depreciated	<u>16,313,853</u>	<u>3,606,601</u>	<u>15,465,051</u>	<u>4,455,403</u>
Capital assets being depreciated:				
Revenue producing and service equipment	51,660,701	7,492,183	108,607	59,044,277
Buildings and structures	201,479,973	7,586,351	182,101	208,884,223
Office furnishings, shop equipment, and other	9,645,672	994,120	82,426	10,557,366
Total capital assets being depreciated	<u>262,786,346</u>	<u>16,072,654</u>	<u>373,134</u>	<u>278,485,866</u>
Less accumulated depreciation:				
Revenue producing and service equipment	45,878,576	2,231,603	208,427	47,901,752
Buildings and structures	64,792,414	3,152,312	120,568	67,824,158
Office furnishings, shop equipment, and other	5,604,320	542,511	59,386	6,087,445
Total accumulated depreciation	<u>116,275,310</u>	<u>5,926,426</u>	<u>388,381</u>	<u>121,813,355</u>
Total capital assets being depreciated, net	<u>146,511,036</u>	<u>10,146,228</u>	<u>(15,247)</u>	<u>156,672,511</u>
Total capital assets, net	<u>\$ 162,824,889</u>	<u>\$ 13,752,829</u>	<u>\$ 15,449,804</u>	<u>\$ 161,127,914</u>

CITY OF KENOSHA WATER UTILITY
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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

(5) Long-term Obligations

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

Issue	Interest rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020	Due within one year
Notes from Direct Borrowings:						
State of Wisconsin Clean Water Loan Funds:						
Series 2000	3.17%	\$ 105,076	-	\$ 105,076	-	-
		105,076	-	105,076	-	-
Worker's compensation accrued liability	N/A	121,956	-	120,007	1,949	-
Other post employment benefits	N/A	2,496,637	678,451	94,550	3,080,538	94,550
Net pension liability - WRS	N/A	1,965,081	-	1,965,081	-	-
Accrued Compensated Absences	N/A	554,211	74,034	56,004	572,241	99,353
Total		<u>\$ 5,242,961</u>	<u>\$ 752,485</u>	<u>\$ 2,340,718</u>	<u>\$ 3,654,728</u>	<u>\$ 193,903</u>

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

Issue	Interest rate	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019	Due within one year
Notes from Direct Borrowings:						
State of Wisconsin Clean Water Loan Funds:						
Series 2000	3.17%	\$ 206,925	-	\$ 101,849	\$ 105,076	\$ 105,076
		206,925	-	101,849	105,076	105,076
Advance from Municipality:						
1999 agreement	4.74-6.00%	93,013	-	93,013	-	-
Worker's compensation accrued liability	N/A	163,530	-	41,574	121,956	-
Other post employment benefits	N/A	2,458,496	109,141	71,000	2,496,637	175,000
Net pension liability - WRS	N/A	-	1,965,081	-	1,965,081	-
Accrued Compensated Absences	N/A	690,124	36,542	172,455	554,211	90,893
Total		<u>\$ 3,612,088</u>	<u>\$ 2,110,764</u>	<u>\$ 479,891</u>	<u>\$ 5,242,961</u>	<u>\$ 370,969</u>

CITY OF KENOSHA WATER UTILITY
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(5) Long-term Debt (Continued)

State of Wisconsin Department of Natural Resources Clean Water Fund Loan (CWFL)

Clean Water Fund loans are authorized by municipal ordinances prepared pursuant to Section 66.0621 of the Wisconsin Statutes. Sewerage Unit Clean Water Fund debt is payable from revenues of the sewerage system; however, upon default, the City's transportation aids or shared revenue may be reduced. The municipal ordinances provide for the establishment of separate accounts into which cash receipts are allocated. The following accounts were established when the funds were borrowed. During 2020, the CWFL was retired and the requirements for these accounts lapsed:

- Renewal and replacement - Utilities receiving federal or state construction grant funds from the EPA or the Wisconsin Fund are required by Wis. Admin. Code NR 128.13 and CFR 35.2005, Federal Register, to establish and fund a "replacement account" for mechanical equipment. Each grantee must review its facility and estimate its future expenditures for equipment replacement that will be necessary to maintain the facility's capacity throughout its design life of 20 years. Withdrawals are made as major mechanical equipment is repaired or replaced.

- Debt Service account - Used to deposit monthly one-sixth and one-twelfth of the next installment of bond interest and principal, respectively, due on the succeeding payment date until the total amount due is on deposit.

CITY OF KENOSHA WATER UTILITY
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(6) Net Position

The components of net position are shown below:

	2020			
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Invested in capital assets				
Net investment in capital assets	\$ 78,362,394	\$ 87,019,816	\$ 50,049	\$ 165,432,259
	<u>78,362,394</u>	<u>87,019,816</u>	<u>50,049</u>	<u>165,432,259</u>
Restricted				
Restricted for Storm Water Utility collections	-	378,549	-	378,549
Liabilities payable from restricted assets				
Storm Water Utility collections	-	(378,549)	-	(378,549)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for pension	895,198	865,067	10,885	1,771,150
Unrestricted	4,432,937	35,415,380	467,823	40,316,140
	<u>4,432,937</u>	<u>35,415,380</u>	<u>467,823</u>	<u>40,316,140</u>
Total net position	<u>\$ 83,690,529</u>	<u>\$ 123,300,263</u>	<u>\$ 528,757</u>	<u>\$ 207,519,549</u>
	2019			
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Invested in capital assets, net of related debt				
Net investment in capital assets	\$ 76,213,991	\$ 85,468,630	\$ 53,252	\$ 161,735,873
Outstanding long-term debt	-	(105,076)	-	(105,076)
	<u>76,213,991</u>	<u>85,363,554</u>	<u>53,252</u>	<u>161,630,797</u>
Restricted				
Restricted for renewal and replacement	-	1,770,617	-	1,770,617
Restricted for depreciation	-	1,059,707	-	1,059,707
Restricted for debt service	-	108,031	-	108,031
Restricted for Storm Water Utility collections	-	358,496	-	358,496
Liabilities payable from restricted assets				
Storm Water Utility collections	-	(358,496)	-	(358,496)
Accrued interest payable	-	(555)	-	(555)
	<u>-</u>	<u>2,937,800</u>	<u>-</u>	<u>2,937,800</u>
Unrestricted	4,891,599	33,204,314	467,608	38,563,521
	<u>4,891,599</u>	<u>33,204,314</u>	<u>467,608</u>	<u>38,563,521</u>
Total net position	<u>\$ 81,105,590</u>	<u>\$ 121,505,668</u>	<u>\$ 520,860</u>	<u>\$ 203,132,118</u>

CITY OF KENOSHA WATER UTILITY
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(7) Pensions

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

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, 62 for elected officials and executive service retirement plan participants, if hired on or before December 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 age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may withdraw either received 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.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(7) Pensions (Continued)

Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting 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 Kenosha Water Utility participates in the Plan as part of the City of Kenosha. The City has determined that Kenosha Water Utility's allocation of the City's proportional share of participation in the Pension to be 10.39% and 10.67% for the years ended December 31, 2020 and 2019, respectively.

During the reporting period for the years ended December 31, 2020 and 2019, the WRS recognized contributions from the City of Kenosha including \$420,249 and \$416,664 of contributions from the Kenosha Water Utility, respectively.

CITY OF KENOSHA WATER UTILITY
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 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(7) Pensions (Continued)

Contribution rates as of December 31, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.75%	6.75%
Executives & Elected Officials	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

Contribution rates as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.55%	6.55%
Executives & Elected Officials	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At December 31, 2020, the Utility reported an asset of \$1,771,150 for its allocation of the City of Kenosha's proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The Utility's allocation of the City's proportion was determined by the City. At December 31, 2019, the Utility's allocated proportion was 0.05492862%, which was a decrease of 0.00030619% from its proportion measured as of December 31, 2018.

At December 31, 2019, the Utility reported a liability of \$1,965,081 for its allocation of the City of Kenosha's proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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 Utility's allocation of the City's proportion was determined by the City. At December 31, 2018, the Utility's allocated proportion was 0.05523481%, which was an increase of 0.00024108% from its proportion measured as of December 31, 2017.

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 December 31, 2020 and 2019

(7) Pensions (Continued)

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

For the year ended December 31, 2020, the Utility recognized pension expense of \$508,579.

For the year ended December 31, 2019, the Utility recognized pension expense of \$1,176,957.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,362,047	\$ 1,682,479
Changes in assumptions	138,020	-
Net differences between projected and actual earnings on pension plan investments	-	3,620,859
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,588	6,593
Employer contributions subsequent to the measurement date	420,249	-
Total	\$ 3,921,904	\$ 5,309,931

\$420,249 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Net Outflows/Inflows of Resources
2021	(\$ 538,247)
2022	(400,697)
2023	61,779
2024	(931,111)
2025	-

CITY OF KENOSHA WATER UTILITY
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(7) **Pensions** (Continued)

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

At December 31, 2019, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,530,501	\$ 2,705,375
Changes in assumptions	331,241	-
Net differences between projected and actual earnings on pension plan investments	2,869,866	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,962	10,327
Employer contributions subsequent to the measurement date	416,664	-
Total	\$ 5,152,234	\$ 2,715,702

Actuarial Assumptions

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

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

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

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

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(7) Pensions (Continued)

Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases	
Inflation:	3.0%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

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

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

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(7) Pensions (Continued)

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Asset Allocation Targets and Expected Returns
as of December 31, 2019**

<u>Core Fund Asset Class</u>	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.0	5.1
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
 Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Asset Allocation Targets and Expected Returns
as of December 31, 2018**

<u>Core Fund Asset Class</u>	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8	5.4

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(7) Pensions (Continued)

Single Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility's allocation of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. For the year ended December 31, 2020, the following presents the Utility's allocation of the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Utility's allocation of the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Water Utility's allocation of the City's proportionate share of the net pension liability (asset)	\$ 4,561,026	\$ (1,771,150)	\$ (6,505,179)

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Water Utility's allocation of the City's proportionate share of the net pension liability (asset)	\$ 7,809,439	\$ 1,965,081	\$ (2,380,652)

CITY OF KENOSHA WATER UTILITY
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December 31, 2020 and 2019

(7) Pensions (Continued)

Single Discount Rate (Continued)

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

Payables to the pension plan

The Utility's share of the City's payable to WRS as of December 31, 2020 and 2019, were \$38,250 and \$34,126, respectively.

(8) Other Postemployment Benefits – Health Insurance

The Utility participates in a single-employer defined benefit health care plan ("the Retiree Health Plan") administered by the City of Kenosha. The plan provides health insurance benefits for eligible retirees, their spouses and eligible dependents 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, their spouses and eligible dependents receive healthcare insurance based on the following criteria:

- Regularly appointed full-time employees retiring under the provisions of the Wisconsin Retirement System (WRS) with greater than or equal to fifteen years of service may retain City health insurance, the full premium cost being paid by the City, from the first month following the retiree's sixtieth birthday, for a maximum of five years, or until the retiree becomes eligible for other paid health insurance, becomes eligible for Medicare, or until the retiree attains the age of sixty-five, whichever occurs first.
- Regularly appointed full-time employees retiring under the provisions of the WRS with greater than or equal to eight years of service but less than fifteen years of service may retain City health insurance, the full premium cost being paid by the City, from the first month following the retiree's sixty-second birthday, for a maximum of three years, or until the retiree becomes eligible for other paid health insurance, becomes eligible for Medicare, or until the retiree attains the age of sixty-five, whichever occurs first.

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

Benefit provisions are established through personnel policies and generally result in the employer paying 100% of the health care costs – less plan deductibles and co-pays – as outlined above. Benefit provisions may be amended through changes in personnel policy guidelines by action of the City's Common Council. There is no contribution requirement since the Utility pays 100% of health care costs less plan deductibles and co-pays.

CITY OF KENOSHA WATER UTILITY
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(8) Other Postemployment Benefits – Health Insurance (Continued)

Employees covered by benefit terms. At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	<u>2020</u>	<u>2019</u>
Active employees	86	86
Retirees	11	5
Total	97	91

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. For the years ended December 31, 2020 and 2019, the valuation date is December 31, 2020 and December 31, 2017, respectively and the measurement date of December 31, 2020 and rolled forward to December 31, 2019, respectively. The measurement date is the date as of which the total OPEB liability is determined.

The total OPEB liability for the years ended December 31, 2020 and 2019 of \$2,597,622 and \$2,193,051, respectively, was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date.

For the years ended December 31, 2020 and 2019, the Utility recognized OPEB expense of \$192,326 and \$92,654, respectively.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 253,482	\$ -
Changes in assumptions	26,677	116,659
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 280,159</u>	<u>\$ 116,659</u>

CITY OF KENOSHA WATER UTILITY
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(8) Other Postemployment Benefits – Health Insurance (Continued)

At December 31, 2019, the Utility reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	32,477	81,221
Employer contributions subsequent to the measurement date	-	-
Total	\$ 32,477	\$ 81,221

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended December 31	Net Outflows/Inflows of Resources
2021	\$24,385
2022	24,385
2023	24,385
2024	24,385
2025	22,062
2026-2030	43,898

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

	December 31, 2020	December 31, 2019
For the year ended:		
Valuation date	December 31, 2020	December 31, 2017
Measurement date	December 31, 2019	December 31, 2019
Discount rate	2.74%	4.10%
Healthcare cost trend	3.70% - 6.20%	3.90% - 5.90%
Salary increases including inflation	WRS; see "Actuarial Assumptions" for details	WRS; see "Actuarial Assumptions" for details
Mortality	WRS; see "Actuarial Assumptions" for details	WRS; see "Actuarial Assumptions" for details
Actuarial cost method	Entry Age Normal	Entry Age Normal

The discount rate is based on the yield or index rate for 20-Year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

CITY OF KENOSHA WATER UTILITY
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(8) Other Postemployment Benefits – Health Insurance (Continued)

Mortality rates were based on the following criteria:

Pre-retirement: This assumption applies to death while in service. Rates are based on the Wisconsin 2018 Mortality table (multiplied by 50% for males and females) as the base table and project future improvements with 2018 generational improvement scale (multiplied by 60%), as adopted by the Employee Trust Fund (ETF) Board in connection with the 2015-2017 Experience Study performed by the actuary for the Wisconsin Retirement System.

Post-retirement: This assumption applies to death of participants after retirement. Rates are based on the 2018 Mortality Table as the base table and project future improvements with 2018 generational improvement scale (multiplied by 60%), as adopted by the ETF Board in connection with the 2015-2017 Experience Study performed by the actuary for the Wisconsin Retirement System.

Post-disability: This assumption applies to death after disablement. Rates are based on the 2015-2017 Experience Study performed by the actuary for the Wisconsin Retirement System as the base table and project future improvements with 2018 generational improvement scale (multiplied by 60%), as adopted by the ETF Board in connection with the 2015-2017 Experience Study performed by the actuary for the Wisconsin Retirement System.

Changes in Total OPEB Liability

	2020	2019
Beginning of Year Balances	\$ 2,193,051	\$ 2,100,397
Changes for the year:		
Service Cost	167,622	179,948
Interest on total OPEB liability	94,869	77,233
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	291,542	-
Effect of assumptions changes or inputs	(54,912)	(93,527)
Benefit payments	(94,550)	(71,000)
End of Year Balances	\$ 2,597,622	\$ 2,193,051

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(8) Other Postemployment Benefits – Health Insurance (Continued)

Changes of assumptions and other inputs reflect a change in the:

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City of Kenosha Water Utility, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

	2020		
	1% Decrease	Discount Rate	1% Increase
	1.74%	2.74%	3.74%
Total OPEB liability	\$ 2,764,296	\$ 2,597,622	\$ 2,438,793

	2019		
	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 2,335,629	\$ 2,193,051	\$ 2,056,367

Sensitivity of the total OPEB liability to changes in healthcare cost trend rate. The following presents the total OPEB liability of the City of Kenosha Water Utility, calculated using the current healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

	2020		
	1% Decrease	Trend Rate	1% Increase
	Total OPEB liability	\$ 2,356,755	\$ 2,597,622

	2019		
	1% Decrease	Trend Rate	1% Increase
	Total OPEB liability	\$ 1,962,257	\$ 2,193,051

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9) Other Postemployment Benefits – Life Insurance

General Information about the Other Post-Employment Benefits – Life Insurance

Plan Description

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

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), 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 post-retirement benefit.

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

Contribution rates as of December 31, 2020 and 2019 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

CITY OF KENOSHA WATER UTILITY
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(9) Other Postemployment Benefits – Life Insurance (Continued)

Contributions (continued)

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 year ended December 31, 2020 are listed below:

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

During the reporting period ending December 31, 2020 and 2019, LRLIF recognized contributions from the City of Kenosha including \$2,050 and \$2,267 of contributions from the Kenosha Water Utility.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2020, the Utility reported a liability of \$482,916 for its allocation of the City of Kenosha's proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to contributions of all participating employers. The Utility's allocation of the City's proportion was determined by the City. At December 31, 2019, the Utility's allocated proportion was 0.11340872%, which was a decrease of 0.00424467% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Utility recognized OPEB expense of \$27,162.

CITY OF KENOSHA WATER UTILITY
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(9) Other Postemployment Benefits – Life Insurance (Continued)

At December 31, 2019, the Utility reported a liability of \$303,586 for its allocation of the City of Kenosha’s proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City’s proportion of the net OPEB liability was based on the City’s share of contributions to the OPEB plan relative to contributions of all participating employers. The Utility’s allocation of the City’s proportion was determined by the City. At December 31, 2018, the Utility’s allocated proportion was 0.11765340%, which was a decrease of 0.00137267% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Utility recognized OPEB expense of \$17,849.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,634
Changes in assumptions	178,150	53,117
Net differences between projected and actual earnings on OPEB plan investments	9,110	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,194	5,015
Employer contributions subsequent to the measurement date	-	-
Total	\$ 190,454	\$ 79,766

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31	Net Outflows/Inflows of Resources
2021	\$ 18,922
2022	18,922
2023	17,883
2024	16,928
2025	14,088
2026-2030	23,945

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(9) Other Postemployment Benefits – Life Insurance (Continued)

At December 31, 2019, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,401
Changes in assumptions	28,623	65,805
Net differences between projected and actual earnings on OPEB plan investments	7,255	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,917	415
Employer contributions subsequent to the measurement date	-	-
Total	\$ 39,795	\$ 81,621

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

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

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

CITY OF KENOSHA WATER UTILITY
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(9) Other Postemployment Benefits – Life Insurance (Continued)

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

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

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

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(9) Other Postemployment Benefits – Life Insurance (Continued)

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 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 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. Below are the target allocations and long-term expected geometric real rate of return for the years ended December 31, 2019 and 2018:

Asset Allocation Targets and Expected Returns
as of December 31, 2019

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Credit bonds	Barclays Credit	45%	2.12%
US Long Credit bonds	Barclays Long Credit	5%	2.90%
US Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

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

Asset Allocation Targets and Expected Returns
as of December 31, 2018

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government bonds	Barclays Government	1%	1.44%
US Credit bonds	Barclays Credit	40%	2.69%
US Long Credit bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2020 and 2019

(9) Other Postemployment Benefits – Life Insurance (Continued)

Single Discount Rate. A single discount rate of 2.87% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. 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 payments to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

Sensitivity of the Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. For the year ended December 31, 2020, the following presents the Utility's allocation of the City's proportionate share of the net OPEB liability calculated using the discount rate of 2.87 percent as well as what the Utility's allocation of the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87 percent) or 1-percentage-point higher (3.87 percent) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
Water Utility's allocation of the City's proportionate share of the net OPEB liability	\$ 666,827	\$ 482,916	\$ 342,997

For the year ended December 31, 2019, the following presents the Utility's allocation of the City's proportionate share of the net OPEB liability calculated using the discount rate of 4.22 percent as well as what the Utility's allocation of the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
Water Utility's allocation of the City's proportionate share of the net OPEB liability	\$ 431,870	\$ 303,586	\$ 204,643

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

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(10) Risk Management

The Utility is exposed to various risks of loss related to theft of, damage to, or destruction of assets, torts, errors and omissions, workers' compensation, and health care of its employees. The Utility purchases commercial insurance to insure its assets and protect against liability claims. Settled liability and property damage claims have not exceeded the commercial insurance coverage in the last five years. The Utility, in conjunction with the City, is self-insured for workers' compensation and health insurance. The City purchases stop loss insurance to limit risk exposures.

For liability and errors and omissions insurance, the City, including the Utility, is a participant in the Wisconsin Municipal Insurance Commission (WMIC). The WMIC is an intergovernmental cooperation commission created by contract under Section 66.0301 of the Wisconsin Statutes in August 1987 for the purpose of facilitating the organization, establishment, and capitalization of the Cities and Villages Mutual Insurance Company (CVMIC) and has approximately fifty municipalities as members. CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. CVMIC provides liability and worker's compensation insurance coverage. Separately issued financial statements for CVMIC may be obtained from CVMIC at 9898 W. Bluemound Road, Wauwatosa, WI 53226-4319.

For liability and errors and omissions insurance claims, the uninsured risk of loss is \$125,000 per incident and \$500,000 in the aggregate for a policy year.

The participation of the City, and its related funding for capitalization, is accounted in an internal service fund in the financial statements of the City. See the City's financial statements for additional information on the City's participation in the public entity risk pools as a whole.

(11) Basis for Existing Rates

Water Unit

On April 20, 2015, the PSCW authorized a rate increase effective June 1, 2015. The new rates were approved using the Simplified Rate Case Process which allowed a 3.0% increase in rates for general service, public fire protection and wholesale service. The revenue increase combined with the Utility's prior year's net operating income did not exceed an overall rate of return of 5.9%, the Commission's overall rate of return applicable to a municipally owned water utility.

Sewerage Unit

On November 17, 2014, the Board of Water Commissioners approved a rate adjustment for sewerage service, industrial waste discharge permit and miscellaneous services that was placed into effect June 1, 2015.

Household Hazardous Waste Unit

Rates were approved by the Board of Water Commissioners on November 27, 2006, and placed into effect January 1, 2007.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020 and 2019

(12) Commitments and Contingencies

At December 31, 2020, the Utility had outstanding purchase commitments for contracts of approximately \$218,198 for water main relays and lead service line replacement, \$142,516 for equipment replacement and improvements at the Industrial Park Lift Station and \$23,006 for the purchase and installation of aeration blowers at the wastewater treatment plant.

At December 31, 2019, the Utility had outstanding purchase commitments for contracts of approximately \$79,488 for the installation of the digester cover #2 at the wastewater treatment plant, \$32,160 for painting the Industrial Park elevated storage tank and \$126,520 for water and sewer main construction prior to repaving 22nd Avenue.

From time to time, the Utility becomes a party to claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Utility's attorney that the likelihood is remote that any such claim or proceedings will have a material adverse effect on the Utility's financial position or results of operations.

(13) Subsequent Events

On January 11, 2021, a contract was awarded to Mid-City Corporation by the Board of Water Commissioners (the Board) for the Lead Service Replacement Program – 2021 Road Reconstruction Projects (contract 2021-01-W) in the amount of \$553,700. On February 8, 2021, the Board awarded a contract to DK Contractors, Inc. for 60th Street Improvements (contract 2021-02-W) in the amount of \$406,029. On April 5, 2021, a contract was awarded by the Board to Willkomm Excavation & Grading, Inc. for Western Water Main Extension on 128th Ave, 60th Street and 122nd Avenue (contract 2021-04-W) in the amount of \$1,640,988. On April 26, 2021, the Board awarded a contract to A.W. Oakes & Son for Sheridan Road Sanitary Repairs (contract 2021-05-S) in the amount of \$63,795.

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

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF UTILITY'S ALLOCATION OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY**
 Wisconsin Retirement System
 Last 10 Measurement Periods*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Utility's allocation of the City of Kenosha's proportion of the net pension liability (asset)	0.054929%	0.055235%	0.054994%	0.051306%	0.049152%	0.048513%
Utility's allocation of the City of Kenosha's proportionate share of the net pension liability (asset)	\$ (1,771,150)	\$ 1,965,081	\$ (1,632,829)	\$ 422,883	\$ 784,947	\$ (1,191,602)
Utility's covered - employee payroll	\$ 6,359,033	\$ 6,151,776	\$ 5,548,927	\$ 5,284,234	\$ 5,124,588	\$ 4,980,993
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.96%	96.45%	102.93%	99.12%	98.20%	102.74%
Utility's allocation of the City of Kenosha's proportion of the net pension liability (asset) as a percentage of covered payroll	27.85%	31.94%	29.43%	8.00%	15.32%	23.92%

SCHEDULE OF KENOSHA WATER UTILITY CONTRIBUTIONS
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 420,249	\$ 416,664	\$ 411,989	\$ 377,256	\$ 349,144	\$ 347,298
Contributions in relation to the contractually required contributions	\$ (420,249)	\$ (416,664)	\$ (411,989)	\$ (377,256)	\$ (349,144)	\$ (347,298)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered - employee payroll	\$ 6,225,704	\$ 6,359,033	\$ 6,151,776	\$ 5,548,927	\$ 5,284,234	\$ 5,124,588
Contributions as a percentage of covered employee payroll	6.75%	6.55%	6.70%	6.80%	6.61%	6.78%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The schedules above are intended to show information for ten years; additional years' information will be displayed as it becomes available.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Utility's
 Total OPEB Health Insurance Liability and Related Ratios
 Last 10 Fiscal Years*

Total OPEB Liability	2020	2019	2018
Service cost	\$ 167,622	\$ 179,948	\$ 163,766
Interest on total OPEB liability	94,869	77,233	78,078
Changes in benefit terms	-	-	-
Effect of economic/demographic gains (losses)	291,542	-	-
Effect of assumption changes or inputs	(54,912)	(93,527)	44,077
Benefit payments	(94,550)	(71,000)	(173,000)
Net change in total OPEB liability	<u>404,571</u>	<u>92,654</u>	<u>112,921</u>
Total OPEB liability, beginning	<u>2,193,051</u>	<u>2,100,397</u>	<u>1,987,476</u>
Total OPEB liability, ending	<u>\$ 2,597,622</u>	<u>\$ 2,193,051</u>	<u>\$ 2,100,397</u>
Covered payroll	<u>\$ 6,339,891</u>	<u>\$ 6,359,033</u>	<u>\$ 6,151,776</u>
Total OPEB as a % of covered payroll	<u>40.97%</u>	<u>34.49%</u>	<u>34.14%</u>

*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.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UTILITY'S ALLOCATION OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 Local Retiree Life Insurance Fund
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Utility's allocation of the City of Kenosha's proportion of the net OPEB liability	0.11340872%	0.11765340%	0.11902606%
Utility's allocation of the City of Kenosha's proportionate share of the net OPEB liability	\$ 482,916	\$ 303,586	\$ 358,099
Utility's covered - employee payroll	\$ 6,234,543	\$ 6,350,960	\$ 5,005,386
Plan fiduciary net position as a percentage of the total OPEB liability	7.75%	4.78%	7.15%

SCHEDULE OF KENOSHA WATER UTILITY CONTRIBUTIONS
 Local Retiree Life Insurance Fund
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 2,050	\$ 2,267	\$ 2,260
Contributions in relation to the contractually required contributions	\$ 2,050	\$ 2,267	\$ 2,260
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Utility's covered - employee payroll	\$ 6,264,543	\$ 6,350,960	\$ 5,005,386
Contributions as a percentage of covered-employee payroll	0.03%	0.04%	0.05%

*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.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

Changes of assumptions. WRS actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

LRLIF actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

Health Insurance OPEB actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

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

CITY OF KENOSHA WATER UTILITY

(An Enterprise Fund of the City of Kenosha)

Combining Schedule of Net Position

December 31, 2020

Assets	<u>Water unit</u>	<u>Sewerage unit</u>	<u>Household hazardous waste unit</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 2,936,094	\$ 4,509,114	\$ 421,496	\$ 7,866,704
Investments	5,529,130	22,475,917	-	28,005,047
Restricted cash and cash equivalents	-	-	-	-
Restricted cash - Storm Water Utility collections	-	378,549	-	378,549
Restricted investments	-	-	-	-
Accounts receivable	2,295,962	2,216,441	42,303	4,554,706
Unbilled revenue	1,530,412	1,063,408	20,858	2,614,678
Inventories	488,103	83,532	-	571,635
Other current assets	153,525	109,361	-	262,886
Total current assets	<u>12,933,226</u>	<u>30,836,322</u>	<u>484,657</u>	<u>44,254,205</u>
Noncurrent assets:				
Investments	-	1,136,109	-	1,136,109
Advance to Water Unit	-	5,000,000	-	5,000,000
Other assets				
Special assessments	153,386	68,914	-	222,300
Unbilled assessments	2,734,255	2,120,553	-	4,854,808
Pension asset - Wisconsin Retirement System	895,198	865,067	10,885	1,771,150
Regulatory asset	-	595,800	-	595,800
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements	947,991	1,299,897	-	2,247,888
Construction in progress	2,291,320	2,290,063	-	4,581,383
Capital assets being depreciated:				
Revenue producing and service equipment	19,652,712	41,863,154	-	61,515,866
Buildings and structures	103,722,279	109,167,252	80,061	212,969,592
Office furnishings, shop equipment, and other	4,734,177	6,360,208	832	11,095,217
Less accumulated depreciation	<u>(52,986,085)</u>	<u>(73,960,758)</u>	<u>(30,844)</u>	<u>(126,977,687)</u>
Total capital assets, net of accumulated depreciation	<u>78,362,394</u>	<u>87,019,816</u>	<u>50,049</u>	<u>165,432,259</u>
Total noncurrent assets	<u>82,145,233</u>	<u>96,806,259</u>	<u>60,934</u>	<u>179,012,426</u>
Total assets	<u>\$ 95,078,459</u>	<u>\$ 127,642,581</u>	<u>\$ 545,591</u>	<u>\$ 223,266,631</u>
Deferred Outflows of Resources				
Deferred pension resources	\$ 1,933,053	\$ 1,974,181	\$ 14,670	\$ 3,921,904
Deferred OPEB resources	<u>237,429</u>	<u>233,184</u>	<u>-</u>	<u>470,613</u>
	2,170,482	2,207,365	14,670	4,392,517
Liabilities				
Current liabilities:				
Accounts payable	\$ 312,012	\$ 443,491	\$ 7,869	\$ 763,372
Accrued liabilities	-	-	-	-
Accrued property taxes	2,320,600	-	-	2,320,600
Current portion of accrued compensated absences	43,626	55,727	-	99,353
Current portion of other postemployment benefits	49,166	45,384	-	94,550
Due to City of Kenosha	1,227,956	1,247,775	2,012	2,477,743
Due to City of Kenosha - Storm Water Utility collections	-	378,549	-	378,549
Other current liabilities	<u>31,536</u>	<u>6,715</u>	<u>-</u>	<u>38,251</u>
Total current liabilities	<u>3,984,896</u>	<u>2,177,641</u>	<u>9,881</u>	<u>6,172,418</u>
Noncurrent liabilities:				
Long-term portion of accrued compensated absences	255,965	216,923	-	472,888
Worker's compensation accrued liability	1,039	910	-	1,949
Other postemployment benefits	1,593,365	1,392,623	-	2,985,988
Advance from Sewerage Unit	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Total noncurrent liabilities	<u>6,850,369</u>	<u>1,610,456</u>	<u>-</u>	<u>8,460,825</u>
Total liabilities	<u>10,835,265</u>	<u>3,788,097</u>	<u>9,881</u>	<u>14,633,243</u>
Deferred Inflows of Resources				
Deferred pension resources	\$ 2,623,070	\$ 2,665,238	\$ 21,623	\$ 5,309,931
Deferred OPEB resources	<u>100,077</u>	<u>96,348</u>	<u>-</u>	<u>196,425</u>
	2,723,147	2,761,586	21,623	5,506,356
Net Position				
Invested in capital assets, net of related debt	78,362,394	87,019,816	50,049	165,432,259
Restricted for pension	895,198	865,067	10,885	1,771,150
Unrestricted	<u>4,432,937</u>	<u>35,415,380</u>	<u>467,823</u>	<u>40,316,140</u>
Total net position	<u>\$ 83,690,529</u>	<u>\$ 123,300,263</u>	<u>\$ 528,757</u>	<u>\$ 207,519,549</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha)

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

Year ended December 31, 2020

	<u>Water unit</u>	<u>Sewerage unit</u>	<u>Household hazardous waste unit</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 12,213,722	\$ 10,936,599	\$ 166,964	\$ 23,317,285
Miscellaneous	2,147,516	2,152,305	16,741	4,316,562
Total operating revenues	<u>14,361,238</u>	<u>13,088,904</u>	<u>183,705</u>	<u>27,633,847</u>
Operating expenses:				
General and administrative	2,758,807	3,103,429	-	5,862,236
Operations and maintenance	5,619,887	6,822,727	173,056	12,615,670
Depreciation	2,639,232	3,245,555	3,203	5,887,990
Total operating expenses	<u>11,017,926</u>	<u>13,171,711</u>	<u>176,259</u>	<u>24,365,896</u>
Operating income	<u>3,343,312</u>	<u>(82,807)</u>	<u>7,446</u>	<u>3,267,951</u>
Nonoperating revenues (expenses):				
Net investment income	110,848	608,980	342	720,170
Interest expense	(175,000)	(1,110)	-	(176,110)
Miscellaneous	107,823	22,383	109	130,315
Total nonoperating revenue (expenses)	<u>43,671</u>	<u>630,253</u>	<u>451</u>	<u>674,375</u>
Increase in net position before capital contributions and transfers	3,386,983	547,446	7,897	3,942,326
Capital contributions	1,469,254	1,296,451	-	2,765,705
Transfers out	(2,271,298)	(49,302)	-	(2,320,600)
Increase in net position	<u>2,584,939</u>	<u>1,794,595</u>	<u>7,897</u>	<u>4,387,431</u>
Net position at beginning of year	<u>81,105,590</u>	<u>121,505,668</u>	<u>520,860</u>	<u>203,132,118</u>
Net position at end of year	<u>\$ 83,690,529</u>	<u>\$ 123,300,263</u>	<u>\$ 528,757</u>	<u>\$ 207,519,549</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha)

Schedule of Capital Assets
Water Unit

Year ended December 31, 2020

	Balance January 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance December 31, 2020
Capital assets not being depreciated:					
Land and land improvements	\$ 875,294	\$ 72,800	\$ 103	\$ -	\$ 947,991
Construction in progress	555,381	2,826,966	1,091,027	-	2,291,320
Total capital assets not being depreciated	<u>1,430,675</u>	<u>2,899,766</u>	<u>1,091,130</u>	<u>-</u>	<u>3,239,311</u>
Capital assets being depreciated:					
Revenue producing and service equipment	19,774,706	14,479	71,473	(65,000)	19,652,712
Buildings and structures	101,310,092	2,578,948	166,761	-	103,722,279
Office furnishings, shop equipment, and other	4,362,939	479,699	82,731	(25,730)	4,734,177
Total capital assets being depreciated	<u>125,447,737</u>	<u>3,073,126</u>	<u>320,965</u>	<u>(90,730)</u>	<u>128,109,168</u>
Less accumulated depreciation:					
Revenue producing and service equipment	17,637,119	635,585	85,573	-	18,187,131
Buildings and structures	30,092,879	1,759,504	128,316	-	31,724,067
Office furnishings, shop equipment, and other	2,934,423	244,143	103,679	-	3,074,887
Total accumulated depreciation	<u>50,664,421</u>	<u>2,639,232</u>	<u>317,568</u>	<u>-</u>	<u>52,986,085</u>
Total capital assets being depreciated, net	<u>74,783,316</u>	<u>433,894</u>	<u>3,397</u>	<u>(90,730)</u>	<u>75,123,083</u>
Total capital assets, net	<u>\$ 76,213,991</u>	<u>\$ 3,333,660</u>	<u>\$ 1,094,527</u>	<u>(90,730)</u>	<u>\$ 78,362,394</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)

Water Unit

Schedules of Operating Revenues and Expenses

Years ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Metered sales to general customers:		
Residential	\$ 5,893,214	\$ 5,570,081
Commercial	2,648,807	2,665,119
Industrial	808,850	812,551
Public	412,335	455,077
Total metered sales	9,763,206	9,502,828
Flat rate sales to general customers	16,133	17,725
Private fire protection	185,870	176,585
Public fire protection	1,361,004	1,358,470
Sales to other municipalities	2,434,383	2,361,567
Total sales of water	13,760,596	13,417,175
Penalties	85,382	148,566
Allocated services	145,313	145,628
Other	369,947	367,753
Total operating revenues	14,361,238	14,079,122
Operating expenses:		
Source of supply:		
Maintenance of lake intake	-	5,604
Miscellaneous	9,625	9,625
Total source of supply	9,625	15,229
Power and pumping:		
Operations:		
Supervision and engineering	214,201	216,912
Fuel and power purchased	796,380	780,844
Pumping labor and supplies	127,134	130,964
Miscellaneous	7,841	11,655
Maintenance:		
Structures and improvements	46,794	42,095
Power production equipment	3,205	65
Pumping equipment	88,309	127,043
Total power and pumping	1,283,864	1,309,578

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)

Water Unit

Schedules of Operating Revenues and Expenses

Years ended December 31, 2020 and 2019

	2020	2019
Water treatment:		
Operations:		
Supervision and engineering	\$ 65,258	\$ 74,520
Labor and supplies	314,556	325,453
Chemicals	164,911	145,019
Structures and improvements	102,847	104,362
Treatment equipment	554,062	553,701
Miscellaneous	322,585	314,274
Total water treatment	1,524,219	1,517,329
Transmission and distribution:		
Operations:		
Supervision and engineering	165,367	190,642
Transmission and distribution lines	67,969	53,125
Meters	90,185	79,087
Customer installation	8,168	83,262
Customer installation - lead service line replacement	439,161	624,303
Labor and equipment	557,332	573,734
Maintenance:		
Supervision and engineering	13,127	21,205
Distribution reservoirs and standpipes	59,207	561,816
Mains	896,693	852,950
Services	392,609	184,766
Meters	50,901	58,516
Hydrants	61,460	47,011
Total transmission and distribution	2,802,179	3,330,417
Total operations and maintenance	5,619,887	6,172,553
General and administrative:		
Customer accounting and collecting:		
Meter reading	67,958	70,560
Customer records and collection	476,552	514,823
Total customer accounting and collecting	544,510	585,383

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)

Water Unit

Schedules of Operating Revenues and Expenses

Years ended December 31, 2020 and 2019

	2020	2019
Administrative:		
Executive and general office	\$ 284,011	\$ 252,526
Office supplies	24,677	22,184
Outside services	459,438	424,471
Casualty and property insurance	136,690	121,336
Employee benefits and insurance	1,248,664	1,578,799
Miscellaneous	13,333	31,996
Regulatory commission	47,484	13,777
Total administrative	2,214,297	2,445,089
Total general and administrative	2,758,807	3,030,472
Depreciation	2,639,232	3,018,294
Total operating expenses	11,017,926	12,221,319
Operating income	\$ 3,343,312	\$ 1,857,803

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)

Water Unit

Water Tax Equivalent Calculation Schedules

Years ended December 31, 2020 and 2019

Local property taxes due to the City of Kenosha for the years ended December 31, 2020 and 2019 were computed in accordance with PSCW Rules 109.01 through 109.05 as follows:

	2020	2019
Gross book value – January 1:		
Plant and equipment	\$ 127,503,961	\$ 125,343,763
Materials and supplies	428,262	445,555
Total gross book value	127,932,223	125,789,318
Less plant outside municipal boundaries	(5,683,862)	(5,715,210)
Assessable plant	122,248,361	120,074,108
Assessment ratio	0.872048	0.898866
Assessed value of property	106,606,439	107,930,533
Local and school share of tax rate (per thousand)	21.767918	20.871792
Computed tax equivalent (floor = \$1,033,306)	\$ 2,320,600	\$ 2,252,704

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha)

Schedule of Capital Assets
Sewerage Unit

Year ended December 31, 2020

	Balance January 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance December 31, 2020
Capital assets not being depreciated:					
Land and land improvements	\$ 1,272,737	\$ 27,160	\$ -	\$ -	\$ 1,299,897
Construction in progress	<u>1,751,991</u>	<u>3,204,821</u>	<u>2,666,749</u>	<u>-</u>	<u>2,290,063</u>
Total capital assets not being depreciated	<u>3,024,728</u>	<u>3,231,981</u>	<u>2,666,749</u>	<u>-</u>	<u>3,589,960</u>
Capital assets being depreciated:					
Revenue producing and service equipment	39,269,571	2,929,992	298,778	(37,631)	41,863,154
Buildings and structures	107,494,070	1,593,160	22,609	102,631	109,167,252
Office furnishings, shop equipment, and other	<u>6,193,595</u>	<u>279,297</u>	<u>138,414</u>	<u>25,730</u>	<u>6,360,208</u>
Total capital assets being depreciated	<u>152,957,236</u>	<u>4,802,449</u>	<u>459,801</u>	<u>90,730</u>	<u>157,390,614</u>
Less accumulated depreciation:					
Revenue producing and service equipment	30,264,634	1,523,440	284,478	-	31,503,596
Buildings and structures	37,704,469	1,449,655	22,609	-	39,131,515
Office furnishings, shop equipment, and other	<u>3,152,190</u>	<u>272,460</u>	<u>99,003</u>	<u>-</u>	<u>3,325,647</u>
Total accumulated depreciation	<u>71,121,293</u>	<u>3,245,555</u>	<u>406,090</u>	<u>-</u>	<u>73,960,758</u>
Total capital assets being depreciated, net	<u>81,835,943</u>	<u>1,556,894</u>	<u>53,711</u>	<u>90,730</u>	<u>83,429,856</u>
Total capital assets, net	<u>\$ 84,860,671</u>	<u>\$ 4,788,875</u>	<u>\$ 2,720,460</u>	<u>\$ 90,730</u>	<u>\$ 87,019,816</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)

Sewerage Unit

Schedules of Operating Revenues and Expenses

Years ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Metered sales to general customers:		
Residential	\$ 4,386,872	\$ 4,269,342
Commercial	2,169,859	2,241,939
Industrial	1,184,650	1,080,324
Public	448,921	489,166
Total sales to general customers	8,190,302	8,080,771
Sales to other municipalities	2,746,297	3,247,359
Industrial waste monitoring	83,147	85,959
Engineering services	1,705,932	1,851,543
Waste haulers	204,750	150,679
Penalties	85,391	114,561
Other	73,085	69,642
Total operating revenues	13,088,904	13,600,514
Operating expenses:		
Wastewater treatment:		
Operations:		
Supervision and labor	466,770	430,027
Chemicals	519,681	526,085
Power	544,839	578,740
Sludge handling	366,223	340,223
Maintenance:		
Supervision and labor	174,065	165,731
Treatment equipment	608,595	679,719
Structures and improvements	618,725	753,776
Transportation expense	79,813	98,053
Total wastewater treatment	3,378,711	3,572,354
Collection system:		
Collection	535,531	495,988
Equalization basin and pump station	171,174	177,442
Cleaning and inspection	404,023	284,837
Lift station equipment	242,902	230,723
Monitoring equipment	8,074	6,395
Total collection system	1,361,704	1,195,385
Laboratory operations:		
Labor and supplies	321,141	312,794
Industrial waste monitoring	84,323	73,127
Total laboratory operations	405,464	385,921
Engineering services	1,676,848	1,829,535
Total operation and maintenance	6,822,727	6,983,195

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)

Sewerage Unit

Schedules of Operating Revenues and Expenses

Years ended December 31, 2020 and 2019

	2020	2019
General and administrative:		
Customer accounting and collecting:		
Meter reading	\$ 67,958	\$ 70,560
Customer records and collection	445,363	484,993
Total customer accounting and collecting	513,321	555,553
Administrative:		
Salaries	350,025	391,077
Outside services	436,746	438,489
Office supplies	38,801	47,236
Accidents and damages	(23,656)	129,874
Insurance and employee benefits	1,439,450	1,626,020
Meter operation	348,742	348,452
Total administrative	2,590,108	2,981,148
Total general and administrative	3,103,429	3,536,701
Depreciation	3,245,555	2,904,930
Total operating expenses	13,171,711	13,424,826
Operating income	\$ (82,807)	\$ 175,688

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)

Schedule of Capital Assets
 Household Hazardous Waste Unit
 Year ended December 31, 2020

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Capital assets being depreciated:				
Buildings and structures	\$ 80,061	\$ -	\$ -	\$ 80,061
Office furnishings, shop equipment, and other	832	-	-	832
Total capital assets being depreciated	<u>80,893</u>	<u>-</u>	<u>-</u>	<u>80,893</u>
Less accumulated depreciation:				
Buildings and structures	26,809	3,203	-	30,012
Office furnishings, shop equipment, and other	832	-	-	832
Total accumulated depreciation	<u>27,641</u>	<u>3,203</u>	<u>-</u>	<u>30,844</u>
Total capital assets, net	<u>\$ 53,252</u>	<u>\$ (3,203)</u>	<u>\$ -</u>	<u>\$ 50,049</u>