

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

BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

Table of Contents

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	13
Statements of Revenues, Expenses and Changes in Fund Net Position	14
Statements of Cash Flows	15
Notes to Basic Financial Statements	16
Required Supplemental Information	
Schedule of the Utility's Allocation of the City's Proportionate Share of the Net Pension Liability	54
Schedule of Kenosha Water Utility Contributions	54
Schedule of Changes in the Utility's Total OPEB Health Insurance Liability and Related Ratios	55
Schedule of the Utility's Allocation of the City's Proportionate Share of the Net OPEB Liability – Local Retiree Life Insurance Fund	56
Schedule of Kenosha Water Utility Contributions	56
Notes to Required Supplementary Information	57
Supplementary Schedules	
Combining Schedule of Net Position	58
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	59
Water Unit	
Schedule of Capital Assets	60
Schedules of Operating Revenues and Expenses	61
Water Tax Equivalent Calculation Schedules	64
Sewerage Unit	
Schedule of Capital Assets	65
Debt Repayment Schedule - Series 2000 - Clean Water Fund Loan	66
Schedules of Operating Revenues and Expenses	67
Household Hazardous Waste Unit	
Schedule of Capital Assets	69



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, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and 2018, 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, 2019 and 2018 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.

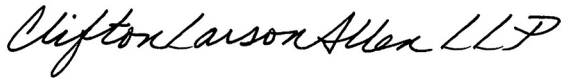
Other Matters

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 69 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
April 28, 2020

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, 2019 and 2018. This information should be read in conjunction with the financial statements.

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 \$2.42 million or 10.4% 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.

2018 Financial Highlights

The Utility's combined net position increased to \$201.7 million from \$199.2 million. Events that had significant impact on the financial statements were:

- Operating revenues were flat compared to 2017 while operating expenses increased \$1.27 million or 5.8% from 2017. This resulted in a decrease of approximately \$1.27 million or 20.6% in operating income compared to 2017.
- The Utility awarded contracts for water tank painting and water main relays in 2018. The 60th Street east ground storage tank was painted at a cost of approximately \$312,000; water mains were relayed by contractors at a total cost of approximately \$1.27 million during 2018.
- On August 31, 2018, the Public Service Commission of Wisconsin (PSCW) approved the Utility's application to provide grants and financial assistance for utility customers to replace customer-owned lead water services.
- The Utility accepted no donated infrastructure from developers during 2018.

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 Postemployment 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 debt repayment schedules are provided for all debt issues. 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 wastehaulers.

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 2019 to 2018 Increase (decrease)	
	2019	2018	2017	Dollars	%
Capital assets:					
Net plant in service	\$ 157,765,703	\$ 147,587,941	\$ 148,737,770	\$ 10,177,762	6.9 %
Construction in progress	2,307,372	14,162,544	14,320,139	(11,855,172)	(83.7)
Other capital assets	1,054,839	1,074,404	1,074,404	(19,565)	(1.8)
Current, restricted and other assets	<u>49,478,805</u>	<u>47,833,154</u>	<u>46,234,216</u>	<u>1,645,651</u>	<u>3.4</u>
Total assets	<u>210,606,719</u>	<u>210,658,043</u>	<u>210,366,529</u>	<u>(51,324)</u>	<u>-</u>
Deferred outflows of resources:					
Deferred pension resources	5,152,234	2,820,636	3,520,603	2,331,598	82.7
Deferred OPEB resources	<u>72,272</u>	<u>77,004</u>	<u>-</u>	<u>(4,732)</u>	<u>(6.1)</u>
Total deferred outflows of resources	<u>5,224,506</u>	<u>2,897,640</u>	<u>3,520,603</u>	<u>2,326,866</u>	<u>80.3</u>
Current liabilities	4,948,571	5,410,001	9,718,480	(461,430)	(8.5)
Long-term liabilities	<u>4,871,992</u>	<u>3,160,075</u>	<u>3,207,012</u>	<u>1,711,917</u>	<u>54.2</u>
Total liabilities	<u>9,820,563</u>	<u>8,570,076</u>	<u>12,925,492</u>	<u>1,250,487</u>	<u>14.6</u>
Deferred inflows of resources:					
Deferred pension resources	2,715,702	3,221,721	1,753,765	(506,019)	(15.7)
Deferred OPEB resources	<u>162,842</u>	<u>8,190</u>	<u>-</u>	<u>154,652</u>	<u>1,888.3</u>
Total deferred inflows of resources	<u>2,878,544</u>	<u>3,229,911</u>	<u>1,753,765</u>	<u>(351,367)</u>	<u>(10.9)</u>
Net position:					
Net investment in capital assets	161,630,797	162,617,964	161,393,160	(987,167)	(0.6)
Restricted for debt service	2,937,800	2,863,029	9,136,149	74,771	2.6
Restricted for pension	-	1,632,829	-	(1,632,829)	100.0
Unrestricted	<u>38,563,521</u>	<u>34,641,874</u>	<u>28,678,566</u>	<u>3,921,647</u>	<u>11.3</u>
Total net position	<u>\$ 203,132,118</u>	<u>\$ 201,755,696</u>	<u>\$ 199,207,875</u>	<u>\$ 1,376,422</u>	<u>0.7 %</u>

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 2018, total net position increased \$2.54 million or 1.3%. This is due to combined net income, before capital contributions, of the water, sewerage, and household hazardous waste units of \$2.92 million, a decrease of 21.3% from 2017, capital contributions of \$0.3 million from assessments and impact fees, and a prior period adjustment reducing net position of approximately \$0.68 million.

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%.

In 2018, total assets increased \$0.29 million or 0.1%. Capital assets increased \$3.8 million while construction in progress decreased \$0.16 million; accumulated depreciation increased \$4.95 million. Current, restricted and other assets increased \$1.6 million or 3.5%.

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 2019 to 2018 Increase (decrease)	
	2019	2018	2017	Dollars	%
Revenues:					
Water service revenues	\$ 11,882,120	\$ 12,270,451	\$ 12,490,141	\$ (388,331)	(3.2) %
Sewerage service revenues	11,328,130	11,352,816	11,239,817	(24,686)	(0.2)
Household Hazardous Waste revenues	166,741	166,517	166,429	224	0.1
Other revenues	<u>4,286,316</u>	<u>4,323,635</u>	<u>4,222,136</u>	<u>(37,319)</u>	<u>(0.9)</u>
Total operating revenues	<u>27,663,307</u>	<u>28,113,419</u>	<u>28,118,523</u>	<u>(450,112)</u>	<u>(1.6)</u>
Expenses:					
Operating and maintenance, before depreciation and taxes					
Water operations	6,172,553	5,839,051	5,347,129	333,502	5.7
Sewerage operations	6,983,195	6,510,088	6,018,375	473,107	7.3
Household Hazardous Waste	180,457	171,764	164,937	8,693	5.1
Loss on disposal of equipment	-	-	230,388	-	100.0
Depreciation	5,926,426	5,251,014	5,045,302	675,412	12.9
Customer accounting and collecting, administrative and general	<u>6,366,342</u>	<u>5,435,267</u>	<u>5,134,155</u>	<u>931,075</u>	<u>17.1</u>
Total operating expenses	<u>25,628,973</u>	<u>23,207,184</u>	<u>21,940,286</u>	<u>2,421,789</u>	<u>10.4</u>
Operating income	<u>2,034,334</u>	<u>4,906,235</u>	<u>6,178,237</u>	<u>(2,871,901)</u>	<u>(58.5)</u>
Nonoperating revenues	811,196	614,624	318,485	196,572	32.0
Nonoperating expenses	<u>(5,801)</u>	<u>(231,004)</u>	<u>(366,411)</u>	<u>(225,203)</u>	<u>(97.5)</u>
Increase in net position, before capital contributions and transfers	<u>2,839,729</u>	<u>5,289,855</u>	<u>6,130,311</u>	<u>(2,450,126)</u>	<u>(46.3)</u>
Capital contributions:					
Assessments, impact fees and grants	604,129	297,015	429,925	307,114	103.4
Donated by developers	185,268	-	4,209,976	185,268	100.0
Transfers out	<u>(2,252,704)</u>	<u>(2,360,152)</u>	<u>(2,405,432)</u>	<u>(107,448)</u>	<u>(4.6)</u>
Increase in net position	1,376,422	3,226,718	8,364,780	(1,850,296)	(57.3)
Net position at beginning of year	201,755,696	199,207,875	190,843,095	2,547,821	1.3
Prior period adjustment	<u>-</u>	<u>(678,897)</u>	<u>-</u>	<u>678,897</u>	<u>(100.0)</u>
Net position at end of year	<u>\$ 203,132,118</u>	<u>\$ 201,755,696</u>	<u>\$ 199,207,875</u>	<u>\$ 1,376,422</u>	<u>0.7 %</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 0.1% 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.

The number of metered customers increased 0.1% during 2018. Water consumption decreased 2.2%. Water service revenues decreased approximately \$220,000 or 1.8%. Sewerage service revenues increased approximately \$113,000 or 1.0%. The decrease in water service revenues is due to decreased water consumption; the increase in sewerage service revenues is attributable to increased sales to other municipalities and to commercial customers.

Operating expenses increased 5.8% or approximately \$1.27 million during 2018. Water Unit operations expenses increased 9.2% or \$492,000 due to increased costs for supervision, maintenance of water mains and costs related to the replacement of customer-owned lead service lines as allowed by the PSCW, docket 2820-100-LS. Sewerage Unit operation expenses increased 8.2% or approximately \$492,000 mainly due to increases in maintenance expenses in the collection system and increases in engineering services expenses. Operating expenses in the Household Hazardous Waste Unit were flat compared to 2017. Customer accounting and collecting, administrative and general expenses for all units increased approximately \$301,000 or 5.9% while depreciation expense for all units increased approximately \$206,000 – \$65,000 for the Water Unit and \$141,000 for the Sewerage Unit - or 4.1%.

The increase in customer accounting and collecting, administrative and general expenses is mainly due to increases legal, outside consultant and engineering services expenses.

Operating income for 2018 decreased 20.6% or approximately \$1.27 million. Nonoperating revenues increased 93.0% or approximately \$296,000 due to increased net investment income; nonoperating expenses decreased 37.0% or approximately \$135,000 due to decreases in interest expense and amortization on long-term debt.

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.

For 2018, the increase in net position of \$2.55 million is approximately \$5.81 million less than the previous year's increase of \$8.36 million or a decrease of 56.1%. This is attributable to a decrease in donations from developers of approximately \$4.2 million, decreases in operating income, and a prior period adjustment reducing beginning net position approximately \$0.68 million. The increases in net position attributable to the Water, Sewerage and Household Hazardous Waste Units were approximately \$154,000, \$2,383,000 and \$11,000, respectively.

Capital Assets and Debt Administration

Capital Assets

Changes in Capital Assets

	<u>Balance</u> <u>Jan. 1, 2019</u>	<u>Additions/</u> <u>reclass-</u> <u>ifications</u>	<u>Deletions/</u> <u>reclass-</u> <u>ifications</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 2,151,309	\$ -	\$ 3,278	\$ 2,148,031
Construction in progress	<u>14,162,544</u>	<u>3,606,600</u>	<u>15,461,772</u>	<u>2,307,372</u>
Total capital assets not being depreciated	<u>16,313,853</u>	<u>3,606,600</u>	<u>15,465,050</u>	<u>4,455,403</u>
Capital assets being depreciated:				
Revenue producing and service equipment:				
Wastewater collection system	1,365,423	114,362	-	1,479,785
Production pumping	4,575,974	-	-	4,575,974
Collection system pumping	9,268,156	61,364	-	9,329,520
Production purification	15,184,995	13,737	-	15,198,732
Wastewater treatment and disposal	<u>21,266,153</u>	<u>7,302,720</u>	<u>108,607</u>	<u>28,460,266</u>
Total revenue producing and service equipment	<u>51,660,701</u>	<u>7,492,183</u>	<u>108,607</u>	<u>59,044,277</u>
Buildings and structures:				
Production intake	3,425,277	-	-	3,425,277
Wastewater collection system	81,492,010	357,026	395	81,848,641
Production pumping	3,770,698	-	-	3,770,698
Collection system pumping	11,406,897	444,080	36,680	11,814,297
Production purification	8,527,402	-	-	8,527,402
Wastewater treatment and disposal	7,832,307	3,808,721	13,263	11,627,765
Transmission and distribution	82,748,987	2,969,491	131,763	85,586,715
General plant	<u>2,276,395</u>	<u>7,033</u>	<u>-</u>	<u>2,283,428</u>
Total buildings and structures	<u>201,479,973</u>	<u>7,586,351</u>	<u>182,101</u>	<u>208,884,223</u>
Office furnishings, shop equipment and other:				
General equipment	9,170,067	956,079	55,839	10,070,307
Engineering equipment	<u>475,605</u>	<u>38,041</u>	<u>26,587</u>	<u>487,059</u>
Total office furnishings, shop equipment and other	<u>9,645,672</u>	<u>994,120</u>	<u>82,426</u>	<u>10,557,366</u>
Total capital assets being depreciated	<u>262,786,346</u>	<u>16,072,654</u>	<u>373,134</u>	<u>278,485,866</u>
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>\$ 13,752,828</u>	<u>\$ 15,449,803</u>	<u>\$ 161,127,914</u>

The Utility had combined investment in capital assets of \$282.9 million at the end of 2019. Construction in progress decreased \$11.85 million; the energy optimized resource recovery project at the wastewater treatment plant accounted for \$11.7 million of the decrease of which \$11.07 million was reclassified as capital assets being depreciated. Accumulated depreciation totaled approximately \$121.8 million resulting in a net book value of \$161.1 million. In 2018, the Utility recorded combined depreciation expense of approximately \$5.92 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 \$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.

The Utility had \$207,000 in long-term term debt outstanding as of December 31, 2018. Of this amount, approximately \$102,000 is due within one year (see note 5 to the audited financial statements regarding classification of revenue bond debt). Outstanding debt decreased \$4.8 million or 95.69% due to scheduled debt payments.

The Clean Water Fund loans are not rated by a debt rating agency. Detailed debt schedules may be found in the supplemental information section as well as note 5 to the audited financial statements.

Long-Term Debt Activity

	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>

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Due Within One Year
Bonds, loans and advances payable:					
Clean Water Fund loans	\$ 305,646	\$ -	\$ 98,721	\$ 206,925	\$ 101,849
Revenue bonds	4,725,000	-	4,725,000	-	-
Bond premium	27,139	-	27,139	-	-
Advance from City of Kenosha	180,710	-	87,697	93,013	93,013
Worker's compensation accrued liability	295,277	-	131,747	163,530	-
Other post employment benefits	1,601,185	1,030,311	173,000	2,458,496	173,000
Net pension liability - WRS	422,883	-	422,883	-	-
Accrued compensated absences	665,341	142,023	117,240	690,124	84,151
	<u>\$ 8,223,181</u>	<u>\$ 1,172,334</u>	<u>\$ 5,783,427</u>	<u>\$ 3,612,088</u>	<u>\$ 452,013</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 submit 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.

The Utility replaced 126 Utility-owned lead water services during 2019; property owners replaced 90 privately-owned lead water services during 2019. The Utility estimates that there are 8,595 Utility-owned lead water services and approximately 4,700 privately-owned lead water services.

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, Wisconsin)
 Statements of Net Position
 December 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 11,436,131	\$ 18,950,458
Investments	20,405,050	6,560,208
Restricted cash and cash equivalents	2,832,368	2,759,346
Restricted cash - Storm Water Utility collections	358,496	333,852
Restricted Investments	105,987	104,776
Accounts receivable	4,230,156	4,411,744
Unbilled revenue	2,446,581	2,603,010
Inventories	483,137	493,335
Other current assets	222,076	189,522
Total current assets	42,519,982	36,406,251
Noncurrent assets:		
Investments	989,605	4,542,088
Other assets		
Special Assessments	222,901	42,366
Unbilled assessments	5,138,358	5,209,620
Net pension asset - Wisconsin Retirement System	-	1,632,829
Regulatory asset	607,959	-
Capital assets:		
Capital assets not being depreciated:		
Land and land improvements	2,148,031	2,151,309
Construction in progress	2,307,372	14,162,544
Capital assets being depreciated:		
Revenue producing and service equipment	59,044,277	51,660,701
Buildings and structures	208,884,223	201,479,973
Office furnishings, shop equipment, and other	10,557,366	9,645,672
Less accumulated depreciation	(121,813,355)	(116,275,310)
Total capital assets, net of accumulated depreciation	161,127,914	162,824,889
Total noncurrent assets	168,086,737	174,251,792
Total assets	210,606,719	210,658,043
Deferred Outflows of Resources		
Deferred pension resources	5,152,234	2,820,636
Deferred OPEB resources	72,272	77,004
Total deferred outflows of resources	5,224,506	2,897,640
Liabilities		
Current liabilities:		
Accounts payable	813,835	809,127
Accrued liabilities	555	1,093
Accrued property taxes	2,252,704	2,360,152
Current portion of accrued compensated absences	90,893	84,151
Current portion of long-term obligations	105,076	101,849
Current portion of net other postemployment benefit obligations	175,000	173,000
Current portion of advance from City of Kenosha	-	93,013
Due to City of Kenosha	1,106,563	1,037,816
Due to City of Kenosha - Storm Water Utility collections	358,496	333,852
Other current liabilities	45,449	415,948
Total current liabilities	4,948,571	5,410,001
Noncurrent liabilities:		
Long-term portion of accrued compensated absences	463,318	605,973
Worker's compensation accrued liability	121,956	163,530
Long-term portion of net other postemployment benefit obligations	2,321,637	2,285,496
Net pension liability - Wisconsin Retirement System	1,965,081	-
Clean Water Fund loans	-	105,076
Total noncurrent liabilities	4,871,992	3,160,075
Total liabilities	9,820,563	8,570,076
Deferred Inflows of Resources		
Deferred pension resources	2,715,702	3,221,721
Deferred OPEB resources	162,842	8,190
Total deferred inflows of resources	2,878,544	3,229,911
Net Position		
Net investment in capital assets	161,630,797	162,617,964
Restricted for regulatory capital needs	2,937,800	2,863,029
Restricted for pension	-	1,632,829
Unrestricted	38,563,521	34,641,874
Total net position	\$ 203,132,118	\$ 201,755,696

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)

Statements of Revenues, Expenses and Changes in Fund Net Position
Years ended December 31, 2019 and 2018

	2019	2018
Operating revenues:		
Charges for services	\$ 23,376,991	\$ 23,789,784
Miscellaneous	4,286,316	4,323,635
Total operating revenues	27,663,307	28,113,419
Operating expenses:		
General and administrative	6,366,342	5,435,267
Operations and maintenance	13,336,205	12,520,903
Depreciation	5,926,426	5,251,014
Total operating expenses	25,628,973	23,207,184
Operating income	2,034,334	4,906,235
Nonoperating revenues (expenses):		
Net investment income	772,464	546,624
Interest expense	(5,801)	(231,004)
Miscellaneous	38,732	68,000
Total nonoperating revenue (expenses)	805,395	383,620
Increase in net position before capital contributions and transfers	2,839,729	5,289,855
Capital contributions	789,397	297,015
Transfers out	(2,252,704)	(2,360,152)
Increase in net position	1,376,422	3,226,718
Net position at beginning of year	201,755,696	199,207,875
Prior period adjustment, change in accounting principle	-	(678,897)
Net position at beginning of year, restated	201,755,696	198,528,978
Net position at end of year	\$ 203,132,118	\$ 201,755,696

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)

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 27,992,142	\$ 28,408,335
Payments to suppliers	(13,292,656)	(12,537,331)
Payments to employees	(5,648,381)	(5,320,420)
City of Kenosha Storm Water Utility collections	6,543,619	6,397,303
Remittance of City of Kenosha Storm Water Utility collections	(6,518,975)	(6,388,390)
Net cash provided by operating activities	9,075,749	10,559,497
Cash flows from noncapital financing activities:		
Advances paid to other funds	(93,013)	(87,697)
Interest paid on noncapital debt	(2,790)	(8,102)
Miscellaneous receipts	38,732	40,861
Transfer to City of Kenosha	(2,360,152)	(2,405,432)
Net cash used in noncapital financing activities	(2,417,223)	(2,460,370)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,947,712)	(4,107,398)
Acquisition of regulatory asset	(607,959)	-
Special assessments collected (purchased)	(133,364)	175,998
Impact fees and contributions collected	522,906	369,584
Customer deposits for construction	(370,499)	370,461
Proceeds on disposal of capital assets	90,504	36,957
Principal paid on capital debt	(101,849)	(4,823,721)
Interest paid on capital debt	(3,549)	(243,112)
Net cash used in capital and related financing activities	(4,551,522)	(8,221,231)
Cash flows from investing activities:		
Sale of investments	11,207,072	21,272,948
Purchase of investments	(21,500,642)	(11,207,072)
Interest and dividends received	769,905	578,840
Net cash provided by (used in) investing activities	(9,523,665)	10,644,716
Net increase (decrease) in cash and cash equivalents	(7,416,661)	10,522,612
Cash and cash equivalents – beginning of year	22,043,656	11,521,044
Cash and cash equivalents – end of year	\$ 14,626,995	\$ 22,043,656
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash and cash equivalents	\$ 11,436,131	\$ 18,950,458
Restricted cash and cash equivalents	3,190,864	3,093,198
Total cash and cash equivalents	\$ 14,626,995	\$ 22,043,656
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,034,334	\$ 4,906,235
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	5,926,426	5,251,014
Loss (gain) on disposal of capital assets	(105,752)	54,282
Changes in assets and liabilities:		
Accounts receivable	181,588	294,417
Unbilled revenues	156,429	(9,756)
Inventories	10,198	(12,503)
Other current assets	(5,904)	10,255
Accounts payable	4,708	134,811
Compensated absences	(135,913)	24,783
Worker's compensation accrued liability	(41,574)	(131,747)
Pension benefits	3,597,910	(2,055,712)
Deferred outflows of resources related to pensions	(2,331,598)	699,967
Deferred outflows of resources related to OPEB	4,732	(77,004)
Other post employment benefits	38,141	178,414
Deferred inflows of resources related to pensions	(506,019)	1,467,956
Deferred inflows of resources related to OPEB	154,652	8,190
Payable to City of Kenosha	93,391	(184,105)
Total adjustments	7,041,415	5,653,262
Net cash provided by operating activities	\$ 9,075,749	\$ 10,559,497
Contributions of capital assets from developers, including assessments and impact fees	\$ 761,615	\$ 272,614

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, 2019 and 2018

(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, 2019 and 2018

(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, 2019 and 2018

(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. Nonnegotiable 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, 2019 and 2018

(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 \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or the acquisition 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.

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.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

(1) Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

(1) Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

(1) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes new accounting and financial reporting requirements for the OPEB provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of OPEB plans, including methods and assumptions to be used for defined benefit OPEB. The Utility implemented the requirements of this standard for the year ended December 31, 2018. This resulted in the restatement of net position for the beginning of year Net OPEB obligation as discussed in Note 14.

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.

In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues related to blending component units, goodwill, fair value measurement, and other postemployment benefits result from implementation and application of various GASB statements. The Utility implemented the requirements of this standard for the year ended December 31, 2018.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishments*, which addresses accounting and financial reporting, including certain footnote disclosures, of in-substance debt defeasance and prepaid insurance on such debt. The Utility implemented the requirements of this standard for the year ended December 31, 2018.

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, 2020. 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, 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, 2019 and 2018

(1) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which addresses the accounting requirements for interest cost incurred before the end of a construction period. The Utility has elected early implementation of this standard for the year ended December 31, 2018.

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. The Utility will implement the requirements of this standard beginning with the year ending December 31, 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. The Utility will implement the requirements of this standard beginning with the year ending December 31, 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. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2022. 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. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2023. The impact of this standard on the Utility's financial statements is not yet determined.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(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, 2019 and 2018 are as follows:

	2019	2018
Cash on hand	\$ 2,200	\$ 1,700
Demand deposits	14,624,795	22,041,956
U.S. Treasury notes	18,270,656	6,914,782
Bonds	3,229,986	4,292,290
Total cash, cash equivalents and investments	\$ 36,127,637	\$ 33,250,728
Reconciliation to the financial statement:		
Current assets:		
Cash and cash equivalents	\$ 11,436,131	\$ 18,950,458
Investments	20,405,050	6,560,208
Restricted Cash	2,832,368	2,759,346
Restricted cash - Storm Water Utility collections	358,496	333,852
Restricted Investments	105,987	104,776
Noncurrent assets:		
Investments	989,605	4,542,088
Total cash, cash equivalents and investments	\$ 36,127,637	\$ 33,250,728

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.

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.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(2) Cash and Investments (Continued)

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, 2019 and 2018, the Utility was exposed to credit risk with investments in the following:

Investment Type	2019	2018	Moody's Rating
	Fair Value	Fair Value	
Corporate Bonds	\$ 989,604	\$ -	Aa1
Corporate Bonds	805,991	1,315,409	Aa2
Corporate Bonds	943,630	936,332	Aa3
Corporate Bonds	490,761	2,040,549	A1
Total Fair Value of Investments subject to credit risk	<u>\$ 3,229,986</u>	<u>\$ 4,292,290</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, 2019, 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	\$ 18,270,656	\$ 18,270,656	\$ -	\$ -	\$ -
Corporate Bonds	3,229,985	2,240,381	989,605	-	-
Total Fair Value of Investments	<u>\$ 21,500,641</u>	<u>\$ 20,511,036</u>	<u>\$ 989,605</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2018, 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	\$ 6,914,782	\$ 4,608,532	\$ 2,306,250	\$ -	\$ -
Corporate Bonds	4,292,290	2,056,452	2,235,838	-	-
Total Fair Value of Investments	<u>\$ 11,207,072</u>	<u>\$ 6,664,984</u>	<u>\$ 4,542,088</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, 2019 and 2018

(2) Cash and Investments (Continued)

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.

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, 2019:

	Fair Value	Level 1	Level 2	Level 3	Exempted from Disclosure
Corporate bonds	\$ 3,229,985	\$ -	\$ 3,229,985	\$ -	\$ -
U.S. Treasury notes		-	-	-	18,270,656
Total Fair Value of Investments	<u>\$ 3,229,985</u>	<u>\$ -</u>	<u>\$ 3,229,985</u>	<u>\$ -</u>	<u>\$ 18,270,656</u>

The Utility had the following assets that were subject to fair value measurements as of December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3	Exempted from Disclosure
Corporate bonds	\$ 4,292,290	\$ -	\$ 4,292,290	\$ -	\$ -
U.S. Treasury notes	-	-	-	-	6,914,782
Total Fair Value of Investments	<u>\$ 4,292,290</u>	<u>\$ -</u>	<u>\$ 4,292,290</u>	<u>\$ -</u>	<u>\$ 6,914,782</u>

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(3) Restricted Assets

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

	2019			
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Restricted for Debt Service				
Debt service account	\$ -	\$ 108,031	\$ -	\$ 108,031
	-	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	<u>\$ -</u>	<u>\$ 3,296,851</u>	<u>\$ -</u>	<u>\$ 3,296,851</u>
Restricted cash and cash equivalents	\$ -	\$ 3,190,864	\$ -	\$ 3,190,864
Restricted investments	-	105,988	-	105,988
Total restricted assets	<u>\$ -</u>	<u>\$ 3,296,852</u>	<u>\$ -</u>	<u>\$ 3,296,852</u>
	2018			
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Restricted for Debt Service				
Debt service account	\$ -	\$ 105,653	\$ -	\$ 105,653
	-	105,653	-	105,653
Restricted for renewal and replacement	-	1,725,606	-	1,725,606
Restricted for depreciation	-	1,032,863	-	1,032,863
Restricted for Storm Water Utility collections due to the City of Kenosha	-	333,852	-	333,852
Total restricted assets	<u>\$ -</u>	<u>\$ 3,197,974</u>	<u>\$ -</u>	<u>\$ 3,197,974</u>
Restricted cash and cash equivalents	\$ -	\$ 3,093,198	\$ -	\$ 3,093,198
Restricted investments	-	104,776	-	104,776
Total restricted assets	<u>\$ -</u>	<u>\$ 3,197,974</u>	<u>\$ -</u>	<u>\$ 3,197,974</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019 and 2018

(4) Capital Assets

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
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(4) Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 2,151,309	\$ -	\$ -	\$ 2,151,309
Construction in progress	14,320,139	2,989,141	3,146,736	14,162,544
Total capital assets not being depreciated	<u>16,471,448</u>	<u>2,989,141</u>	<u>3,146,736</u>	<u>16,313,853</u>
Capital assets being depreciated:				
Revenue producing and service equipment	51,203,357	541,564	84,220	51,660,701
Buildings and structures	198,530,939	3,082,887	133,853	201,479,973
Office furnishings, shop equipment, and other	9,248,588	567,973	170,889	9,645,672
Total capital assets being depreciated	<u>258,982,884</u>	<u>4,192,424</u>	<u>388,962</u>	<u>262,786,346</u>
Less accumulated depreciation:				
Revenue producing and service equipment	44,161,012	1,801,784	84,220	45,878,576
Buildings and structures	61,818,645	3,024,309	50,540	64,792,414
Office furnishings, shop equipment, and other	5,342,362	424,921	162,963	5,604,320
Total accumulated depreciation	<u>111,322,019</u>	<u>5,251,014</u>	<u>297,723</u>	<u>116,275,310</u>
Total capital assets being depreciated, net	<u>147,660,865</u>	<u>(1,058,590)</u>	<u>91,239</u>	<u>146,511,036</u>
Total capital assets, net	<u>\$ 164,132,313</u>	<u>\$ 1,930,551</u>	<u>\$ 3,237,975</u>	<u>\$ 162,824,889</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

(5) Long-term Obligations

Long-term obligation 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		\$ 3,612,088	\$ 2,110,764	\$ 479,891	\$ 5,242,961	\$ 370,969

Long-term debt activity for the year ended December 31, 2018 was as follows:

Issue	Interest rate	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018	Due within one year
Notes from Direct Borrowings:						
State of Wisconsin Clean Water Loan Funds:						
Series 2000	3.17%	\$ 305,646	-	\$ 98,721	\$ 206,925	\$ 101,849
Revenue Bonds:						
Series 2008	3.25-5.00%	4,725,000	-	4,725,000	-	-
		5,030,646	-	4,823,721	206,925	101,849
Unamortized premium		27,139	-	27,139	-	-
Advance from Municipality:						
1999 agreement	4.74-6.00%	180,710	-	87,697	93,013	93,013
Worker's compensation accrued liability	N/A	295,277	-	131,747	163,530	-
Other post employment benefits	N/A	1,601,185	1,030,311	173,000	2,458,496	173,000
Net pension liability - WRS	N/A	422,883	-	422,883	-	-
Accrued Compensated Absences	N/A	665,341	142,023	117,240	690,124	84,151
Total		\$ 8,223,181	\$ 1,172,334	\$ 5,783,427	\$ 3,612,088	\$ 452,013

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

(5) Long-term Obligations (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 have been established:

- 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.

Revenue Bonds

Revenue bond debt is payable from revenues derived by the Utility. Revenue bonds are authorized by municipal ordinances prepared pursuant to Section 66.0621 of the Wisconsin Statutes. Such ordinances provide for the establishment of separate accounts into which cash receipts are allocated. Revenue bonds were paid in full by the Utility during 2018 and all restricted asset balances were released.

- Special redemption 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 is on deposit.

- Reserve account - Used to make interest or principal payments when amounts are not available in the special redemption account, remedy deficiencies in any of the other accounts, or retire bonds in advance of maturity.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2019 and 2018

(5) Long-term Obligations (Continued)

Revenue Bonds (continued)

- Renewal and replacement - Used for the payment of repairs, replacements, new construction, and expansion on or additions to the system.
- Tax equivalent account - Used to fund the annual tax equivalent paid to the City.
- Depreciation account - Used for the payment of extraordinary repairs or replacements and to remedy any deficiencies in the special redemption account.

Advance from Municipality

In 1999, the City issued general obligation refunding bonds to pay off its Wisconsin Retirement System unfunded pension liability. The Utility recorded its share of this issue, and makes principal and interest payments to the City. During 2009, the City refunded the 1999 general obligation refunding bonds which resulted in an increase in annual principal payments and a reduction in annual interest payments due for the remaining life of the bonds. The Utility recorded its share of the increase in principal due as a charge to the year of the change's pension expense.

Principal and Interest Payments

Long-term debt principal and interest requirements to maturity as of December 31, 2019 are as follows:

	Principal			Interest		
	Water unit	Sewerage unit	Total	Water unit	Sewerage unit	Total
2020	\$ -	\$ 105,076	\$ 105,076	\$ -	\$ 1,665	\$ 1,665
	<u>\$ -</u>	<u>\$ 105,076</u>	<u>\$ 105,076</u>	<u>\$ -</u>	<u>\$ 1,665</u>	<u>\$ 1,665</u>

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(6) Net Position

The components of net position are shown below:

	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	<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>
	2018			
	<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	\$ 76,923,755	\$ 85,844,680	\$ 56,454	\$ 162,824,889
Outstanding long-term debt	-	(206,925)	-	(206,925)
	<u>76,923,755</u>	<u>85,637,755</u>	<u>56,454</u>	<u>162,617,964</u>
Restricted				
Restricted for renewal and replacement	-	1,725,606	-	1,725,606
Restricted for depreciation	-	1,032,863	-	1,032,863
Restricted for debt service	-	105,653	-	105,653
Restricted for Storm Water Utility collections	-	333,852	-	333,852
Liabilities payable from restricted assets				
Storm Water Utility collections	-	(333,852)	-	(333,852)
Accrued interest payable	-	(1,093)	-	(1,093)
	<u>-</u>	<u>2,863,029</u>	<u>-</u>	<u>2,863,029</u>
Restricted for pension	<u>831,329</u>	<u>794,931</u>	<u>6,569</u>	<u>1,632,829</u>
Unrestricted	<u>3,626,125</u>	<u>30,561,111</u>	<u>454,638</u>	<u>34,641,874</u>
Total net position	<u>\$ 81,381,209</u>	<u>\$ 119,856,826</u>	<u>\$ 517,661</u>	<u>\$ 201,755,696</u>

CITY OF KENOSHA WATER UTILITY
(An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019 and 2018

(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, 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 and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(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
2008	6.6	0.0
2009	(2.1)	(42.0)
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

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 10.67% and 10.95% for the years ended December 31, 2019 and 2018, respectively.

During the reporting period for the years ended December 31, 2019 and 2018, the WRS recognized contributions from the City of Kenosha including \$416,664 and \$411,989 of contributions from the Kenosha Water Utility, respectively.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(7) Pensions (Continued)

Contribution rates as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.7%	6.7%
Executives & Elected Officials	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Contribution rates as of December 31, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

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 asset was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The 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.

At December 31, 2018, the Utility reported an asset of \$1,632,829 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, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. 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, 2017, the Utility's allocated proportion was 0.05499373%, which was an increase of 0.00368790% from its proportion measured as of December 31, 2016.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(7) Pensions (Continued)

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

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

For the year ended December 31, 2018, the Utility recognized pension expense of \$524,200.

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	<u>416,664</u>	<u>-</u>
Total	<u>\$ 5,152,234</u>	<u>\$ 2,715,702</u>

\$416,664 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31</u>	<u>Net Outflows/Inflows of Resources</u>
2020	\$ 733,175
2021	181,645
2022	31,991
2023	785,057
2024	-

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(7) Pensions (Continued)

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

At December 31, 2018, 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	\$ 2,074,550	\$ 970,406
Changes in assumptions	322,615	-
Net differences between projected and actual earnings on pension plan investments	-	2,244,172
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,482	7,143
Employer contributions subsequent to the measurement date	411,989	-
Total	\$ 2,820,636	\$ 3,221,721

Actuarial Assumptions

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 postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the 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, 2019 and 2018

(7) Pensions (Continued)

Actuarial Assumptions (continued)

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases	
Inflation:	3.2%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% 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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

Long-term expected Return on Plan Assets

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

Core Fund Asset Class	Asset Allocation %	Long-Term	Long-Term
		Expected Nominal Rate of Return %	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
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8	5.4

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(7) Pensions (Continued)

Long-term expected Return on Plan Assets (continued)

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:

<u>Core Fund Asset Class</u>	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

Single Discount rate

A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the 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 3.71%. 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.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(7) Pensions (Continued)

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, 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)

For the year ended December 31, 2018, 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water Utility's allocation of the City's proportionate share of the net pension liability (asset)	\$ 4,224,686	\$ (1,632,829)	\$ (6,084,722)

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, 2019 and 2018, were \$34,126 and \$39,070, respectively.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(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.

Employees covered by benefit terms. At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Active employees	86	88
Retirees	5	3
Total	91	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, 2019 and 2018, the valuation date is December 31, 2017 and rolled forward to the measurement date of December 31, 2019 and December 31, 2018, respectively. The measurement date is the date as of which the total OPEB liability is determined.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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

The total OPEB liability for the years ended December 31, 2019 and 2018 of \$2,193,051 and \$2,100,397, 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, 2019 and 2018, the Utility recognized OPEB expense of \$92,654 and \$74,644, respectively.

OPEB Health Insurance Prior Period Adjustment. A prior period adjustment was entered for the year ended December 31, 2018 to record the changes in reporting for GASB Statements No. 74 and 75. \$386,291 of the prior period adjustment is due to the health insurance portion of other postemployment benefits.

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

At December 31, 2018, 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	38,277	-
Employer contributions subsequent to the measurement date	-	-
	-	-
Total	\$ 38,277	\$ -

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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

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:

<u>Year ended December 31</u>	<u>Net Outflows/Inflows of Resources</u>
2020	(\$6,506)
2021	(6,506)
2022	(6,506)
2023	(6,506)
2024	(6,506)
Thereafter	(16,214)

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

For the year ended:	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Valuation date	December 31, 2017	December 31, 2017
Measurement date	December 31, 2019	December 31, 2018
Discount rate	4.10%	3.44%
Healthcare cost trend	3.90% - 5.90%	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.

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.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability	Increase (Decrease) Total OPEB Liability
	2019	2018
Changes in Total OPEB Liability		
Beginning of Year Balances	\$ 2,100,397	\$ 1,987,476
Changes for the year:		
Service Cost	179,948	163,766
Interest on total OPEB liability	77,233	78,078
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	-	-
Effect of assumptions changes or inputs	(93,527)	44,077
Benefit payments	(71,000)	(173,000)
End of Year Balances	<u>\$ 2,193,051</u>	<u>\$ 2,100,397</u>

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.

	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

	2018		
	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 2,231,985	\$ 2,100,397	\$ 1,972,096

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

trend	2019			current rate.
	1% Decrease	Trend Rate	1% Increase	
Total OPEB liability	\$ 1,962,257	\$ 2,193,051	\$ 2,465,272	

	2018		
	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 1,884,953	\$ 2,100,397	\$ 2,353,375

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(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, 2019 and 2018 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
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(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, 2018 and 2017 are listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2018 and 2017	
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, 2019 and 2018, LRLIF recognized contributions from the City of Kenosha including \$2,267 and \$2,260 of contributions from the Kenosha Water Utility, respectively.

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

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.

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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

At December 31, 2018, the Utility reported a liability of \$358,099 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, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the Utility's allocated proportion was 0.11902606%, which was an increase of 0.04400950% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Utility recognized OPEB expense of \$34,956

OPEB Life Insurance Prior Period Adjustment. For the year ended December 31, 2018, a prior period adjustment was recognized to record the changes in reporting for GASB Statement No. 74 and 75. \$292,606 of the prior period adjustment is due to the life insurance portion of other postemployment benefits.

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

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
2020	(\$ 5,413)
2021	(5,413)
2022	(5,413)
2023	(6,431)
2024	(7,481)
Thereafter	(11,675)

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

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

At December 31, 2018, 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	\$ -	\$ 5,045
Changes in assumptions	34,604	-
Net differences between projected and actual earnings on OPEB plan investments	4,123	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,145
Employer contributions subsequent to the measurement date	-	-
Total	\$ 38,727	\$ 8,190

Actuarial assumptions. The total OPEB liability in the January 1, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	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	.01% - 5.6%
Mortality	Wisconsin 2018 Mortality Table

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.44%
Long-term Expected Rate of Return	5.00%
Discount rate	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table

CITY OF KENOSHA WATER UTILITY
 (An Enterprise Fund of the City of Kenosha, Wisconsin)
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2019 and 2018

(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, 2018 and 2017:

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%

Asset Allocation Targets and Expected Returns
as of December 31, 2017

<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%	1.13%
US Credit bonds	Barclays Credit	65%	2.61%
US Long Credit bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
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, 2019 and 2018

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

Single Discount Rate. A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. 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, 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

For the year ended December 31, 2018, the following presents the Utility's allocation of the City's proportionate share of the net OPEB liability calculated using the discount rate of 3.63 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 (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
Water Utility's allocation of the City's proportionate share of the net OPEB liability	\$ 506,131	\$ 358,099	\$ 244,501

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, 2019 and 2018

(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, 2019 and 2018

(12) Commitments and Contingencies

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.

At December 31, 2018, the Utility had outstanding purchase commitments for contracts of approximately \$194,664 for the installation of energy optimized resource recovery equipment at the wastewater plant, \$13,128 for painting the 58th Street ground storage tank #2, \$72,949 for water main construction and \$25,152 for sewer main construction.

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 March 9, 2020, a contract was awarded to Reesman's Excavating & Grading, Inc. by the Board of Water Commissioners for water main relays (contract 2020-01-W) in the amount of \$810,545.25. On April 3, 2020, a contract was awarded to MZ Construction Company, Inc. for Industrial Lift Station Improvements (contract 2020-02-S) in the amount of \$770,000. Also on April 3, 2020, a contract was awarded to Genesis Excavators, Inc. for water main relays (contract 2020-03-W) in the amount of \$687,948.50.

(14) Restatement

The Utility adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* as of January 1, 2018. The standard requires the Utility to record the total postemployment benefit liability less any related trust assets of the Utility's other postemployment benefit (OPEB) plan, and record related deferred outflows and deferred inflows of resources and expenses as of the plan's actuarial valuation. As a result, the Utility's beginning of the year net position has been restated as follows:

	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Ending net position, December 31, 2017, as previously reported	\$ 81,226,807	\$ 117,474,104	\$ 506,964	\$ 199,207,875
Less: Net OPEB liability per GASB Statement No. 75	<u>(397,060)</u>	<u>(281,837)</u>	-	<u>(678,897)</u>
Net position, January 1, 2018, as restated	<u>\$ 80,829,747</u>	<u>\$ 117,192,267</u>	<u>\$ 506,964</u>	<u>\$ 198,528,978</u>

\$386,291 is due to the OPEB Health Insurance Liability

\$292,606 is due to the OPEB Life Insurance Liability

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,				
	2018	2017	2016	2015	2014
Utility's allocation of the City of Kenosha's proportion of the net pension liability (asset)	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)	\$ 1,965,081	\$ (1,632,829)	\$ 422,883	\$ 784,947	\$ (1,191,602)
Utility's covered payroll	\$ 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)	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	31.94%	29.43%	8.00%	15.32%	23.92%

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

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 416,664	\$ 411,989	\$ 377,256	\$ 349,144	\$ 347,298
Contributions in relation to the contractually required contributions	\$ (416,664)	\$ (411,989)	\$ (377,256)	\$ (349,144)	\$ (347,298)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 6,359,033	\$ 6,151,776	\$ 5,548,927	\$ 5,284,234	\$ 5,124,588
Contributions as a percentage of covered employee payroll	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	2019	2018
Service cost	\$ 179,948	\$ 163,766
Interest on total OPEB liability	77,233	78,078
Changes in benefit terms	-	-
Effect of economic/demographic gains (losses)	-	-
Effect of assumption changes or inputs	(93,527)	44,077
Benefit payments	(71,000)	(173,000)
Net change in total OPEB liability	92,654	112,921
Total OPEB liability, beginning	2,100,397	1,987,476
Total OPEB liability, ending	\$ 2,193,051	\$ 2,100,397
Covered- employee payroll	\$ 6,359,033	\$ 6,151,776
Total OPEB as a % of covered payroll	34.49%	34.14%

*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*

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

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

	2019	2018
Contractually required contributions	\$ 2,267	\$ 2,260
Contributions in relation to the contractually required contributions	\$ 2,267	\$ 2,260
Contribution deficiency (excess)	\$ -	\$ -
Utility's covered - employee payroll	\$ 6,350,960	\$ 5,005,386
Contributions as a percentage of covered-employee payroll	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, 2019

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, Wisconsin)

Combining Schedule of Net Position

December 31, 2019

Assets	Water unit	Sewerage unit	Household hazardous waste unit	Total
Current assets:				
Cash and cash equivalents	\$ 4,506,319	\$ 6,529,314	\$ 400,498	\$ 11,436,131
Investments	2,976,955	17,428,095	-	20,405,050
Restricted cash equivalents	-	2,832,368	-	2,832,368
Restricted cash - Storm Water Utility collections	-	358,496	-	358,496
Restricted investments	-	105,987	-	105,987
Accounts receivable	2,134,999	2,050,978	44,179	4,230,156
Unbilled revenue	1,390,490	1,035,232	20,859	2,446,581
Inventories	428,262	54,875	-	483,137
Other current assets	118,110	103,966	-	222,076
Total current assets	<u>11,555,135</u>	<u>30,499,311</u>	<u>465,536</u>	<u>42,519,982</u>
Noncurrent assets:				
Investments	-	989,605	-	989,605
Advance to Water Unit	-	5,000,000	-	5,000,000
Other assets				
Special assessments	154,850	68,051	-	222,901
Unbilled assessments	2,792,656	2,345,702	-	5,138,358
Regulatory asset	-	607,959	-	607,959
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements	875,294	1,272,737	-	2,148,031
Construction in progress	555,381	1,751,991	-	2,307,372
Capital assets being depreciated:				
Revenue producing and service equipment	19,774,706	39,269,571	-	59,044,277
Buildings and structures	101,310,092	107,494,070	80,061	208,884,223
Office furnishings, shop equipment, and other	4,362,939	6,193,595	832	10,557,366
Less accumulated depreciation	(50,664,421)	(71,121,293)	(27,641)	(121,813,355)
Total capital assets, net of accumulated depreciation	<u>76,213,991</u>	<u>84,860,671</u>	<u>53,252</u>	<u>161,127,914</u>
Total noncurrent assets	<u>79,161,497</u>	<u>93,871,988</u>	<u>53,252</u>	<u>173,086,737</u>
Total assets	<u>\$ 90,716,632</u>	<u>\$ 124,371,299</u>	<u>\$ 518,788</u>	<u>\$ 215,606,719</u>
Deferred Outflows of Resources				
Deferred pension resources	\$ 2,548,737	\$ 2,582,381	\$ 21,116	\$ 5,152,234
Deferred OPEB resources	39,126	33,146	-	72,272
	<u>2,587,863</u>	<u>2,615,527</u>	<u>21,116</u>	<u>5,224,506</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 234,497	\$ 577,111	\$ 2,227	\$ 813,835
Accrued liabilities	-	555	-	555
Accrued property taxes	2,252,704	-	-	2,252,704
Current portion of accrued compensated absences	42,025	48,868	-	90,893
Current portion of long-term obligations	-	105,076	-	105,076
Current portion of other postemployment benefits	94,587	80,413	-	175,000
Due to City of Kenosha	568,581	537,982	-	1,106,563
Due to City of Kenosha - Storm Water Utility collections	-	358,496	-	358,496
Other current liabilities	31,134	14,315	-	45,449
Total current liabilities	<u>3,223,528</u>	<u>1,722,816</u>	<u>2,227</u>	<u>4,948,571</u>
Noncurrent liabilities:				
Long-term portion of accrued compensated absences	275,205	188,113	-	463,318
Worker's compensation accrued liability	62,441	59,515	-	121,956
Other postemployment benefits	1,254,844	1,066,793	-	2,321,637
Pension liability - Wisconsin Retirement System	931,072	1,029,389	4,620	1,965,081
Advance from Sewerage Unit	5,000,000	-	-	5,000,000
Total noncurrent liabilities	<u>7,523,562</u>	<u>2,343,810</u>	<u>4,620</u>	<u>9,871,992</u>
Total liabilities	<u>10,747,090</u>	<u>4,066,626</u>	<u>6,847</u>	<u>14,820,563</u>
Deferred Inflows of Resources				
Deferred pension resources	\$ 1,369,310	\$ 1,334,195	\$ 12,197	\$ 2,715,702
Deferred OPEB resources	82,505	80,337	-	162,842
	<u>1,451,815</u>	<u>1,414,532</u>	<u>12,197</u>	<u>2,878,544</u>
Net Position				
Invested in capital assets, net of related debt	76,213,991	85,363,554	53,252	161,630,797
Restricted for regulatory capital needs	-	2,937,800	-	2,937,800
Unrestricted	4,891,599	33,204,314	467,608	38,563,521
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
(An Enterprise Fund of the City of Kenosha, Wisconsin)

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

Year ended December 31, 2019

	<u>Water unit</u>	<u>Sewerage unit</u>	<u>Household hazardous waste unit</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 11,882,120	\$ 11,328,130	\$ 166,741	\$ 23,376,991
Miscellaneous	2,197,002	2,272,384	17,761	4,487,147
Total operating revenues	<u>14,079,122</u>	<u>13,600,514</u>	<u>184,502</u>	<u>27,864,138</u>
Operating expenses:				
General and administrative	3,030,472	3,556,266	-	6,586,738
Operations and maintenance	6,172,553	6,963,630	180,457	13,316,640
Depreciation	3,018,294	2,904,930	3,202	5,926,426
Total operating expenses	<u>12,221,319</u>	<u>13,424,826</u>	<u>183,659</u>	<u>25,829,804</u>
Operating income	<u>1,857,803</u>	<u>175,688</u>	<u>843</u>	<u>2,034,334</u>
Nonoperating revenues (expenses):				
Net investment income	168,239	776,870	2,355	947,464
Interest expense	(175,692)	(5,109)	-	(180,801)
Miscellaneous	33,659	5,073	-	38,732
Total nonoperating revenue (expenses)	<u>26,206</u>	<u>776,834</u>	<u>2,355</u>	<u>805,395</u>
Increase in net position before capital contributions and transfers	1,884,009	952,522	3,198	2,839,729
Capital contributions	45,688	743,709	-	789,397
Transfers out	<u>(2,205,316)</u>	<u>(47,388)</u>	<u>-</u>	<u>(2,252,704)</u>
Increase in net position	(275,619)	1,648,843	3,198	1,376,422
Net position at beginning of year	81,381,209	119,856,825	517,662	201,755,696
Prior period adjustment, change in accounting principle	-	-	-	-
Net position at beginning of year, restated	<u>81,381,209</u>	<u>119,856,825</u>	<u>517,662</u>	<u>201,755,696</u>
Net position at end of year	<u>\$ 81,105,590</u>	<u>\$ 121,505,668</u>	<u>\$ 520,860</u>	<u>\$ 203,132,118</u>

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

Schedule of Capital Assets
Water Unit

Year ended December 31, 2019

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Capital assets not being depreciated:				
Land and land improvements	\$ 878,572	\$ -	\$ 3,278	\$ 875,294
Construction in progress	1,737,050	1,595,566	2,777,235	555,381
Total capital assets not being depreciated	<u>2,615,622</u>	<u>1,595,566</u>	<u>2,780,513</u>	<u>1,430,675</u>
Capital assets being depreciated:				
Revenue producing and service equipment	19,760,969	13,737	-	19,774,706
Buildings and structures	98,472,364	2,969,491	131,763	101,310,092
Office furnishings, shop equipment, and other	3,869,257	497,644	3,962	4,362,939
Total capital assets being depreciated	<u>122,102,590</u>	<u>3,480,872</u>	<u>135,725</u>	<u>125,447,737</u>
Less accumulated depreciation:				
Revenue producing and service equipment	16,605,186	1,031,933	-	17,637,119
Buildings and structures	28,478,164	1,721,627	106,912	30,092,879
Office furnishings, shop equipment, and other	2,711,107	264,734	41,418	2,934,423
Total accumulated depreciation	<u>47,794,457</u>	<u>3,018,294</u>	<u>148,330</u>	<u>50,664,421</u>
Total capital assets being depreciated, net	<u>74,308,133</u>	<u>462,578</u>	<u>(12,605)</u>	<u>74,783,316</u>
Total capital assets, net	<u>\$ 76,923,755</u>	<u>\$ 2,058,144</u>	<u>\$ 2,767,908</u>	<u>\$ 76,213,991</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, 2019 and 2018

	2019	2018
Operating revenues:		
Metered sales to general customers:		
Residential	\$ 5,570,081	\$ 5,702,765
Commercial	2,665,119	2,703,907
Industrial	812,551	817,718
Public	455,077	478,420
Total metered sales	9,502,828	9,702,810
Flat rate sales to general customers	17,725	15,684
Private fire protection	176,585	173,070
Public fire protection	1,358,470	1,356,695
Sales to other municipalities	2,361,567	2,551,957
Total sales of water	13,417,175	13,800,216
Penalties	148,566	153,410
Allocated services	145,628	144,125
Other	367,753	367,937
Total operating revenues	14,079,122	14,465,688
Operating expenses:		
Source of supply:		
Maintenance of lake intake	5,604	-
Miscellaneous	9,625	9,625
Total source of supply	15,229	9,625
Power and pumping:		
Operations:		
Supervision and engineering	216,912	96,060
Fuel and power purchased	780,844	777,473
Pumping labor and supplies	130,964	124,000
Miscellaneous	11,655	8,148
Maintenance:		
Structures and improvements	42,095	48,821
Power production equipment	65	10,472
Pumping equipment	127,043	83,596
Total power and pumping	1,309,578	1,148,570

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, 2019 and 2018

	2019	2018
Water treatment:		
Operations:		
Supervision and engineering	\$ 74,520	\$ 61,945
Labor and supplies	325,453	303,797
Chemicals	145,019	121,405
Structures and improvements	104,362	80,113
Treatment equipment	553,701	517,593
Miscellaneous	314,274	436,594
Total water treatment	1,517,329	1,521,447
Transmission and distribution:		
Operations:		
Supervision and engineering	190,642	324,181
Transmission and distribution lines	53,125	82,263
Meters	79,087	66,038
Customer installation	83,262	106,620
Customer installation - lead service line replacement	624,303	106,991
Labor and equipment	573,734	538,067
Maintenance:		
Supervision and engineering	21,205	14,317
Distribution reservoirs and standpipes	561,816	395,381
Mains	852,950	1,092,085
Services	184,766	325,198
Meters	58,516	47,809
Hydrants	47,011	60,459
Total transmission and distribution	3,330,417	3,159,409
Total operations and maintenance	6,172,553	5,839,051
General and administrative:		
Customer accounting and collecting:		
Meter reading	70,560	63,392
Customer records and collection	514,823	407,069
Total customer accounting and collecting	585,383	470,461

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, 2019 and 2018

	2019	2018
Administrative:		
Executive and general office	\$ 252,526	\$ 231,210
Office supplies	22,184	26,959
Outside services	424,471	494,999
Casualty and property insurance	121,336	120,126
Employee benefits and insurance	1,578,799	1,293,562
Miscellaneous	31,996	24,146
Regulatory commission	13,777	25,600
Total administrative	2,445,089	2,216,602
Total general and administrative	3,030,472	2,687,063
Depreciation	3,018,294	2,919,617
Total operating expenses	12,221,319	11,445,731
Operating income	\$ 1,857,803	\$ 3,019,957

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, 2019 and 2018

Local property taxes due to the City of Kenosha for the years ended December 31, 2019 and 2018 were computed in accordance with PSCW Rules 109.01 through 109.05 as follows:

	2019	2018
Gross book value – January 1:		
Plant and equipment	\$ 125,343,763	\$ 122,841,106
Materials and supplies	445,555	407,885
Total gross book value	125,789,318	123,248,991
Less plant outside municipal boundaries	(5,715,210)	(5,839,690)
Assessable plant	120,074,108	117,409,301
Assessment ratio	0.898866	0.975206
Assessed value of property	107,930,533	114,498,255
Local and school share of tax rate (per thousand)	20.871792	20.613000
Computed tax equivalent (floor = \$1,033,306)	\$ 2,252,704	\$ 2,360,152

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

Schedule of Capital Assets

Sewerage Unit

Year ended December 31, 2019

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Capital assets not being depreciated:				
Land and land improvements	\$ 1,272,737	\$ -	\$ -	\$ 1,272,737
Construction in progress	12,425,494	2,011,034	12,684,537	1,751,991
Total capital assets not being depreciated	<u>13,698,231</u>	<u>2,011,034</u>	<u>12,684,537</u>	<u>3,024,728</u>
Capital assets being depreciated:				
Revenue producing and service equipment	31,899,732	7,478,446	108,607	39,269,571
Buildings and structures	102,927,548	4,616,860	50,338	107,494,070
Office furnishings, shop equipment, and other	5,775,583	496,476	78,464	6,193,595
Total capital assets being depreciated	<u>140,602,863</u>	<u>12,591,782</u>	<u>237,409</u>	<u>152,957,236</u>
Less accumulated depreciation:				
Revenue producing and service equipment	29,273,390	1,199,671	208,427	30,264,634
Buildings and structures	36,290,643	1,427,483	13,657	37,704,469
Office furnishings, shop equipment, and other	2,892,381	277,776	17,967	3,152,190
Total accumulated depreciation	<u>68,456,414</u>	<u>2,904,930</u>	<u>240,051</u>	<u>71,121,293</u>
Total capital assets being depreciated, net	<u>72,146,449</u>	<u>9,686,852</u>	<u>(2,642)</u>	<u>81,835,943</u>
Total capital assets, net	<u>\$ 85,844,680</u>	<u>\$ 11,697,886</u>	<u>\$ 12,681,895</u>	<u>\$ 84,860,671</u>

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

Sewerage Unit

Debt Repayment Schedule

Series 2000 – Clean Water Fund Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>	
2020	\$ 105,076	\$ 1,665	\$ -	\$ 106,741
Totals	<u>\$ 105,076</u>	<u>\$ 1,665</u>	<u>\$ -</u>	<u>\$ 106,741</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, 2019 and 2018

	2019	2018
Operating revenues:		
Metered sales to general customers:		
Residential	\$ 4,269,342	\$ 4,296,027
Commercial	2,241,939	2,261,742
Industrial	1,080,324	1,027,586
Public	489,166	623,610
Total sales to general customers	8,080,771	8,208,965
Sales to other municipalities	3,247,359	3,143,851
Industrial waste monitoring	85,959	98,675
Engineering services	1,851,543	1,765,598
Waste haulers	150,679	249,956
Penalties	114,561	117,244
Other	69,642	80,329
Total operating revenues	13,600,514	13,664,618
Operating expenses:		
Wastewater treatment:		
Operations:		
Supervision and labor	430,027	488,862
Chemicals	526,085	545,385
Power	578,740	600,020
Sludge handling	340,223	264,533
Maintenance:		
Supervision and labor	165,731	316,684
Treatment equipment	679,719	515,673
Structures and improvements	753,776	317,753
Transportation expense	98,053	100,579
Total wastewater treatment	3,572,354	3,149,489
Collection system:		
Collection	495,988	463,080
Equalization basin and pump station	177,442	136,696
Cleaning and inspection	284,837	367,075
Lift station equipment	230,723	271,922
Monitoring equipment	6,395	3,945
Total collection system	1,195,385	1,242,718
Laboratory operations:		
Labor and supplies	312,794	311,219
Industrial waste monitoring	73,127	64,732
Total laboratory operations	385,921	375,951
Engineering services	1,829,535	1,741,930
Total operation and maintenance	6,983,195	6,510,088

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, 2019 and 2018

	2019	2018
General and administrative:		
Customer accounting and collecting:		
Meter reading	\$ 70,560	\$ 63,391
Customer records and collection	484,993	376,319
Total customer accounting and collecting	555,553	439,710
Administrative:		
Salaries	391,077	313,407
Outside services	438,489	450,393
Office supplies	47,236	54,677
Accidents and damages	129,874	652
Insurance and employee benefits	1,626,020	1,362,686
Meter operation	348,452	327,904
Total administrative	2,981,148	2,509,719
Total general and administrative	3,536,701	2,949,429
Depreciation	2,904,930	2,328,055
Total operating expenses	13,424,826	11,787,572
Operating income	\$ 175,688	\$ 1,877,046

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, 2019

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Capital assets being depreciated:				
Buildings and structures	80,061	-	-	80,061
Office furnishings, shop equipment, and other	832	-	-	832
Total capital assets being depreciated	80,893	-	-	80,893
Less accumulated depreciation:				
Buildings and structures	23,607	3,202	-	26,809
Office furnishings, shop equipment, and other	832	-	-	832
Total accumulated depreciation	24,439	3,202	-	27,641
Total capital assets, net	\$ 56,454	\$ (3,202)	\$ -	\$ 53,252