

OAK CREEK

WATER AND SEWER UTILITY

Comprehensive Annual Financial Report

For the Years Ended December 31, 2019 and 2018

A Departmental Unit of the
City of Oak Creek, Wisconsin



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PREPARED BY THE DEPARTMENT OF ADMINISTRATION

General Manager, Michael J. Sullivan, PE

Accounting Supervisor, Annette L. Stenzel, CPA

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INTRODUCTORY SECTION



New Excavator



A Commitment to Water Quality



Our Mission, Vision and Values

Our Mission

To provide reliable, high quality water and sewer services to our customers.

Our Vision

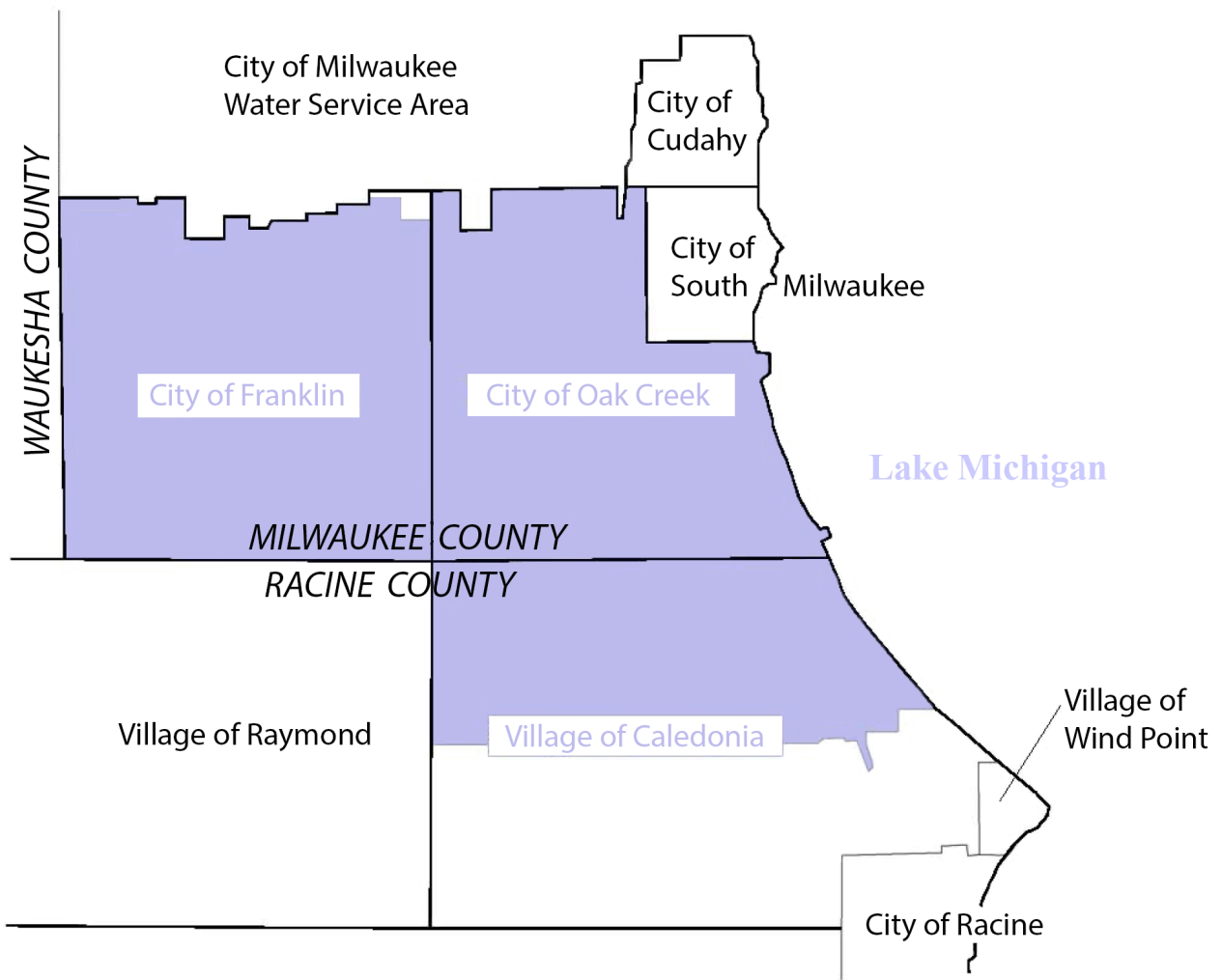
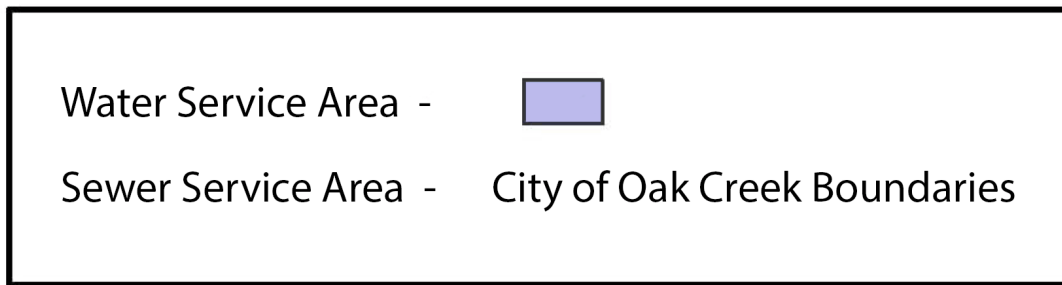
Continuous improvement – driven by customer needs, powered by teamwork, and guided by quality and cost.

Our Values

All Utility activities are guided by these underlying values:

1. Integrity – All Utility interactions will be conducted with the maximum degree of integrity and fairness.
2. Stewardship – We will be responsible and accountable for our resources and the well-being of the environment.
3. Customer service – Customer service will always be recognized as a top priority and an obligation of our employees.
4. Employees – We will maintain a commitment to the safety and security of our employees.

Service Area





WATER and SEWER UTILITY

170 West Drexel Avenue, Oak Creek, WI 53154
water.oak-creek.wi.us
414-570-8210

May 22, 2020

A Message from the General Manager:

Last year was another successful year for the Utility, which remains financially healthy and strong. Sales were up from both the previous year and the 5-year average. This reflects consistent customer growth and production increases. The Utility family, including Commissioners and staff combined bring almost 500 years of service to the Utility. Each Water and Sewer Commissioner shares, on average, 17 years of experience guiding the Utility's direction. One can't look at these numbers without being concerned for the potential loss of institutional knowledge as the workforce ages. Once again, the Utility is fortunate to have the median age of its workforce at 46 years old. Additionally, the age distribution is very even meaning a predictable and orderly transition within the workforce is expected looking forward.

The beginning of 2020 is anything but orderly. COVID-19 has touched everyone in one way or another. The water and sewer utility businesses are no different. The Utility pivoted its efforts to protect customer and employee health and safety while still focusing on water quality. Like every essential business, the Utility took extraordinary steps such as implementing aggressive work from home programs, alternating work crews, and isolating water treatment plant staff in work spaces. Through these efforts and others, the Utility was able to put into practice its prepared emergency responses. Every employee had to adjust how they work and each performed flawlessly to maintain our expected high level of services.

The Utility looks forward to the completion of its comprehensive water system master plan and sanitary sewer system master plan later this year. These documents will provide the strategic framework for operation and infrastructure investment for the next 20 years and beyond. Using the master plan informed investment practice has contributed to decades of recognition for water safety and financial strength.

Sincerely,

Michael J. Sullivan, P.E.
General Manager

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WATER and SEWER UTILITY

170 West Drexel Avenue, Oak Creek, WI 53154
water.oak-creek.wi.us
414-570-8210

June 5, 2020

Water and Sewer Utility Commissioners

Our Customers

FORMAL TRANSMITTAL

The Comprehensive Annual Financial Report of the Oak Creek Water and Sewer Utility (Utility) for the year ended December 31, 2019 is hereby submitted.

The Utility is a Departmental Unit of the City of Oak Creek (City), Wisconsin, and its financial statements are included in the City's financial statements as two enterprise funds – the Oak Creek Water Utility (Water Utility) and the Oak Creek Sewer Utility (Sewer Utility).

Assumption of Responsibility

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utility. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Utility. All disclosures necessary to enable the reader to gain an understanding of the Utility's financial activities have been included.

Internal Control

Management of the Utility is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Utility are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of

a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Independent Audit

Although state statutes do not require an annual audit by independent certified public accountants, the Utility retained Baker Tilly Virchow Krause, LLP to perform an audit of the Utility's financial records. The Independent Auditors' Report is included in the financial section of this report.

Reference to Management's Discussion and Analysis

The *Management's Discussion and Analysis* in the financial section of this report offers complementary information that should be read in conjunction with this transmittal letter. Please refer to this section for a narrative overview and an analysis of the Utility's financial performance for 2019, 2018 and 2017.

UTILITY PROFILE

The Utility is comprised of the Water Utility and Sewer Utility, both enterprise funds of the City. A Utility Commission oversees all general operations, while the General Manager oversees daily activities and personnel of the Utility. The Utility consists of four departments including Administrative, Engineering, Treatment Plant and Distribution. Within these four departments, a total of 30 full time employees work together as a team to provide reliable, high quality water and sewer services to our customers.

Background Information

In 1960, City Ordinance No. 144 was adopted which created the Oak Creek Water and Sewer Utility. The Utility was deemed necessary for the protection of the health, safety and welfare of the public. City Ordinance No. 142, also adopted in 1960, created the

Water and Sewer Utility Commissioners (Commission) to manage the Utility pursuant to Chapter 66 of the Wisconsin Statutes. The Commission consists of five members, four of which are appointed by the Mayor and confirmed by the Common Council for five-year, non-concurrent terms. The remaining member of the Commission is a City Alderperson who is appointed by the Mayor annually.

In 1974, the Utility's Lake Michigan surface water treatment plant was placed in service. Before that time, the Utility's source of supply was from a series of wells. Treatment processes include chemical addition and rapid mixing, coagulation and flocculation, sedimentation, filtration, and disinfection. The original capacity of the plant was 6 million gallons per day (mgd) and was designed to allow expansion up to 48 mgd in 3 mgd increments. Currently, the plant's capacity is at 35 mgd, which was attained through an upgrade following the Utility's 2010 expansion project.

The Utility's water treatment plant features multimedia filtration and a coagulation control center utilizing a pilot filter. The latter feature allows Utility operators to react very quickly to changes in the raw water supply quality. The 1999 completion of the water treatment plant expansion project added additional features including new chemical feed and rapid mix facilities, inclined plate settlers, filter-to-waste capabilities on all filters, and a new Supervisory Control and Data Acquisition system. These features and the Utility's strong focus on operator training and certification have resulted in water quality that significantly exceeds all regulatory standards.

During the original construction of the treatment plant, the service area of the Utility expanded outside the City's boundaries for the first time. From 1973 to 2004, a retail contract was in effect with the City's western neighbor, the City of Franklin in Milwaukee County, to supply water in its southeastern area. From 1979 to 2004 another contract was in place to serve Franklin's northeastern area retail water service. In 1994, the Utility executed a wholesale contract with Franklin to sell wholesale water to the City, which added approximately 30 square miles to the water service area. In 1991, 1992, 2005, and again in 2008, the Utility's service area expanded

south with executed wholesale contracts to the Village of Caledonia, Racine County, Wisconsin. The Utility's total water service area covers approximately 83 square miles, with the addition of these wholesale contracts.

The Utility's sewer operations are confined to the City's boundaries and encompassed by the Milwaukee Metropolitan Sewerage District (MMSD). The Utility maintains the collection system and a series of lift stations. Construction and maintenance of all intercepting sewers, watercourse improvements and treatment plant facilities within MMSD's territorial area are the responsibilities of MMSD.

The Public Service Commission of Wisconsin (PSCW) regulates the Utility's water operations pursuant to Chapter 196 of the Wisconsin Statutes. The Utility's sewer operations are not regulated.

Budget

Annually, the Commission adopts a nonappropriated operating budget and updates its capital budget. Both budgets are used as financial plans in conjunction with the Utility's master plan to anticipate the needs for subsequent years. The operating budget identifies noncyclical operating budget requests that are added to the Utility's operating financial plan. The financial plan is based on a projected level of activity that is identical to a flexible budgeting methodology. This methodology is utilized due to the direct correlation between revenues and expenses, and the variable nature of the Utility's service level. The Utility's budget is not formally integrated into the accounting system; however, interim analysis is performed routinely to control costs and avoid potential deficits.

ECONOMIC CONDITION AND OUTLOOK

With improving economic conditions, the year 2019 has been another positive year for the Utility. As the population of the service area continues to grow, Utility staff continues to plan for the future responsibly. The Utility is committed to staying at the forefront of technological development, financial reporting, and customer service. With this responsible planning and commitment, the Utility will serve its customers with an adequate supply of very high quality water for many years.

The Utility's service area lies in one of the fastest growing areas in Wisconsin and contains a significant amount of the undeveloped land in Milwaukee County. The combined annual population growth for Oak Creek and Franklin has averaged 627 persons for the last ten years. Based on historical growth statistics and generally favorable economic conditions in the area, growth is expected to continue into the near future.

Construction and Planning

The Utility placed in service approximately \$4,939,300 of capital assets in 2019 to meet the needs of the growth referred to above. These assets are funded by special assessments, municipal and developer contributions, state reimbursements, grants, funds on hand and debt.

The Utility's Water Supply and Distribution Study was reviewed and updated in 2008 by Strand & Associates. This study is periodically updated to provide the Utility with a current plan for adding new capital assets to meet the growing demand for water. In 2015, the population projection and water demand forecasting sections of the master plan were updated to better understand the future effect of the economic downturn that began in 2008. In 2016, a new comprehensive water demand study was performed by CDM Smith that took into account weather, employment, economic and growth factors. This study produced low, medium and high growth projections for the future. The study also performed a statistical analysis to identify the probability of growth exceeding the projections. A water system master plan is currently in progress, which is expected to be completed in 2020. This plan will aid the Utility with planning for future improvements.

The Utility's Sewer System Master Plan was originally prepared in 1992 by the joint effort of R.A. Smith and Associates, Inc. and Black & Veatch. This plan has also been updated in 2002 by R.A. Smith Associates, Inc. In addition, another full master plan is currently in progress, which is expected to be completed in 2020. This updated sewer system master plan will provide the Utility with a strategy to meet ultimate sewer needs.

During the year 2002, the Utility's Howell Avenue water tower was completely rehabilitated. This 500,000-gallon tank was sandblasted down to bare

metal, both on the inside and outside of the tower, and repainted with a new state-of-the-art coating. A cathodic protection system was also installed to mitigate future corrosion. The interior of the Sycamore Avenue Tower, a 200,000-gallon tank, was repainted in the same manner during 2004, while the exterior was repainted in 2013. During 2016, online chlorine analyzers were added to both water towers. These analyzers, along with existing online chlorine analyzers in the Orchard Way reservoir, allow the water treatment plant operators to be more efficient at maintaining water quality goals in the system. The Utility partnered with Verizon Wireless in 2008 to share power from a standby generator, which provided the Howell Avenue Tower with a constant source of emergency power. The same was done in 2017 for the Sycamore Avenue Tower.

Electrical redundancy at the Utility's low lift pumping station was added to capital assets in 2006. The treatment plant had redundant electrical feeds already in place from different We Energies substations. With this project, the Utility's electrical reliability was extended beyond the treatment plant to the lakeside pumping station as well. The system is completely automatic, thereby if one of the electrical feeds from the power company fails, the system will automatically switch to the new feed to allow the treatment process to continue running. The Utility completed the installation of two standby electrical generators in 2012; one at the water treatment plant and the other at the lakeside pumping station. These generators allow the Utility to operate independently of the power provided by We Energies.

Expansion and remodeling of the Utility's headquarters office building was placed in service in 2007. Internal Utility departments have grown over the years in conjunction with customer growth, creating a great need for more office and garage space. The expansion added approximately 10,000 square feet to the garage and 4,500 square feet to the office. The Utility had been budgeting for this project since 1999 and fully funded the construction costs without the need for new debt.

A second raw water line was installed in 2008 from the Utility's low lift pumping station, at Lake Michigan, to the water treatment plant. This new line will provide a redundant feed from the lake to the plant without interrupting treatment production. The

new line is 36 inches in diameter and will service the Utility's ultimate growth. The existing line was installed in 1974 and has served the Utility well; however, this second line was needed to ensure an adequate and reliable supply of lake water for years to come, as identified in the Utility's master plan. An expansion of the Utility's water treatment plant was placed in service during 2010. This expansion included an addition to the sedimentation and flocculation building, an addition to the filter building and a 300,000-gallon backwash storage tank, which increased water treatment capacity from 20 million gallons to 28 million gallons per day. Following the expansion, the Utility's treatment plant received an upgraded rating of 35 million gallons per day at no additional cost. This expansion is expected to serve the Utility's growing customer base beyond the year 2050.

The Orchard Way Booster Pump Station was placed in service in 2010, adjacent to the Orchard Way Reservoir, to enable greater use of stored water in the system. This new pump station has improved water quality by being able to cycle more of its stored water. The pumping capacity of this station is up to ten million gallons per day, and it will help the Utility meet projected water demand through 2050.

Beginning in the year 2013, the Utility had recognized the need for relaying water main in three subdivisions where breaks were becoming more frequent. Construction in two of these areas was completed in 2014 and the final one was installed during the year 2015. All three of these projects were funded by low-interest loans from the State Revolving Fund Safe Drinking Water Loan Program. The Utility continues to seek out areas with frequent breaks and is proactively relaying water main in areas as needed. As a result of these main replacements, system-wide water main breaks have dropped significantly.

During the year 2015, new water and sewer main was installed in three significant developments within the City of Oak Creek, including Drexel Town Square, Lake Vista and Oak View Business Park. Several additional water and sewer mains, from both developer funded and Utility extension projects, were placed in service during 2016 through 2019 including a new elementary school, apartment complex growth, a home furnishing store and an Amazon fulfillment

center. These improvements are very beneficial in helping to attract economic growth for our City.

In 2019, the Utility began a multi-year project to fill in gaps in the water main pipe network, connecting dead ends to enhance water quality, improve reliability and strengthen fire protection.

Other Initiatives

The Utility promotes a culture of continuous improvement, which is a major contributing factor to its high level of success. Ultimate goals of the team are to develop long-term system strategies, to improve overall operations and to enhance customer satisfaction.

During the year 2007, the Utility voluntarily hired the accounting firm of Reilly, Penner, & Benton LLP to conduct an internal control study of the Utility's treasury function. It was noted from the study that the Utility already had the majority of necessary controls in place; however, a few additional controls were recommended. As a result, the Utility's management team has implemented these few recommended improvements, reassesses its internal controls annually and believes the controls currently in place are adequate.

The Utility expanded its methods for collecting utility bill payments from customers in 2003, 2015 and again in 2017. In addition to the usual options of paying by mail or in-person, customers may also choose to conveniently pay by direct deposit, credit card and electronic check. Beginning in the year 2015, customers have the option to receive and view their bills online as well. A credit card terminal was installed at the Utility's front desk in 2017, allowing customers to make credit card payments at the office for the first time. With customer satisfaction being one of the top priorities of the Utility, these payment options were added in response to customer feedback.

Financial Information

Total debt outstanding as of December 31, 2019 is \$15,773,047. This entire amount is comprised of Water Utility revenue bonds outstanding. The Utility has a revenue bond rating by Moody's Investors Service of Aa2 for its water revenue bonds. Temporary, idle cash is invested in interest-bearing bank accounts, a BMO Harris Bank Government

Investment Account and the Wisconsin State and Local Government Investment Pool. Some investments are pooled with interest allocated to the Water Utility and Sewer Utility based on their respective balances.

The City offers its employees a group health plan that is self-funded by the City. The risk of this plan is reduced through the purchase of an excess loss policy with a current deductible of \$100,000 per employee.

Third-party insurance is maintained for worker's compensation, property, liability, and all other potential losses.

Please refer to the financial section of this report for more detailed financial information.

AWARDS AND ACKNOWLEDGEMENTS

The Utility is known as one of the most progressive utilities in the Nation. Always seeking new ways to improve, the Utility has committed to continued excellence through a program of quality improvement. Utility employees produce the highest quality drinking water possible, and are proud to announce its water meets and exceeds all federal and state drinking water health standards. The Utility also takes great pride in maintaining a high quality sewer system as well.

The following awards demonstrate the Utility's commitment to high quality service and standards.

Partnership for Safe Water Program

The Water Utility was awarded the President's Award in the Partnership for Safe Water treatment program in June 2015. At that time, the Water Utility was the only utility in Wisconsin and one of only 19 in the Nation to receive this prestigious award. This program is a water quality improvement system that targets optimized treatment plant operations beyond what is required by regulation, and the President's Award recognizes a treatment plant for achieving the stringent goals of the program. Partnership for Safe Water is a voluntary, cooperative effort of six organizations including the American Water Works Association (AWWA) and the United States Environmental Protection Agency (EPA). The Partnership goal is to provide a new measure of

safety to millions of Americans by implementing prevention programs where legislation or regulation does not exist. The preventative measures are based on optimizing treatment plant performance to increase protection against microbial contamination in America's drinking water supply.

The EPA has awarded the Water Utility a Certificate of Recognition for its efforts. The Utility was also recognized by AWWA as one of 19 elite utilities committed to continuously improving water quality beyond current regulatory requirements. As part of the Partnership for Safe Water Program, the Utility was presented with the Twenty-Year Director's Award at the annual conference in 2018. The Utility is one of few utilities in the Nation that has achieved Phase III treatment optimization program standards for 20 consecutive years, and is currently seeking to attain the designation as a "fully optimized" treatment plant in Phase IV, the highest level of the Partnership for Safe Water program for water treatment.

The Water Utility is also one of few in the Nation that piloted the Partnership for Safe Water distribution system optimization program as a charter member. In June 2015, the Utility was presented with the Director's Award for achieving the Phase III optimization level in this program. At the time of this award, the Utility was the only utility in Wisconsin and one of only 12 in the Nation to achieve Phase III in the distribution system optimization program. The Utility is actively seeking to achieve Phase IV, the highest level for its distribution system.

Partnership for Clean Water Program

The Utility is a founding member of the Partnership for Clean Water program. This program was conceived in 2014 to provide utilities with a wastewater optimization program, similar to what the Partnership for Safe Water does for drinking water systems. The Utility is using its staff expertise to help develop this new National program.

Utility Special Achievement Awards

The Wisconsin Section of the American Water Works Association selected the Utility for a Special Achievement Award in 2006 and again in 2013 for its dedication to continuous improvement through the AWWA Partnership for Safe Water Program over the

years. This award symbolizes the contributions of all Utility employees who consistently seek more effective and efficient ways to produce high quality water. Participation in this program assures consumers as well as local, state and federal officials that the Utility is on the leading edge of providing the safest, cleanest drinking water possible at reasonable rates.

The Utility also received the On-Going Excellence Award in 2009 from Wisconsin Section of the American Water Works Association for demonstrating a commitment to ongoing excellence in both the technical and financial aspects of its operations. The Utility consistently strives for continuous improvement and on-going excellence in the municipal water and sewer industries.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Utility for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the 26th consecutive year that the Utility has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Engineering Awards

The Utility's low lift pump station electrical improvement and standby generation projects both won a State Finalist Award from the American Council of Engineering Companies of Wisconsin in the years 2007 and 2014, respectively. This award is given to projects that have demonstrated excellence in engineering.

The low lift pump station electrical project involved the complete replacement of existing electrical motor

controls while keeping the pump station operational at all times. One of the unique engineering designs that the award recognized was the addition of an electrical mezzanine, which allowed space for the construction of the new electrical equipment over the existing equipment. The finished pump station has improved safety, efficiency and reliability for the Utility's low lift.

The standby generation project included the addition of two large generators, one at the treatment plant and one at the low lift pump station. These generators will provide the Utility with electrical redundancy for many years to come.

Water Treatment Plant Employee Awards

The Utility's plant manager was recognized with the Operator Meritorious award for Wisconsin at the Wisconsin Section of the American Water Works Association's annual meeting in 2016. He received this award due to his high level of commitment, leadership and continuity in providing safe drinking water. The Utility's previous plant manager received the same award in 2003 for his commitment to leadership and contribution to the water industry.

Sewer Infiltration and Inflow

Milwaukee Metropolitan Sewerage District (District) awarded the Utility an Honorable Mention in recognition of efforts to reduce sources of infiltration and inflow entering the sewer system for 2002. The project focused on 118 homes in the Chapel Hills Subdivision and was completely funded by the District. As a result of the project, improvements were made to the sewer system including repairs to private laterals, joints and sewer main.

Sewer Capital Asset Program

The Utility has completed and filed annual sewer program reports with the WDNR since the year 2005. As a part of this required program, the Utility demonstrates its compliance with sewer maintenance, infrastructure needs and overall financial stability. The WDNR has awarded the Utility with the highest rating level every year since the program was initiated.

Fifty-Nine Years of Excellent Service

The Utility is proud to celebrate 59 years of excellent service, as the year 2019 marks another anniversary. Since its beginning, the Utility has grown from

several hundred customers with annual water usage near 265 million gallons to more than 70,000 customers who use nearly 3 billion gallons of water annually. Back in 1960, the idea of forming a water and sewer utility was only a vision shared by the few thousands of residents living in Oak Creek at the time. Over the decades, the Utility's pioneering spirit has focused on investment in new technology to ensure the cleanest, safest, most reliable water possible flows to its customers. Its technical and financial soundness are demonstrated through the Utility's continuing participation in two of the nation's most prestigious programs. Looking back, this vision of forming a utility was the correct course of action; it has crossed generations of Utility leadership, producing one of the most respected, forward-thinking water and sewer utilities in the nation.

Industry Leadership and Involvement

The Utility's team consists of 30 full-time employees providing both water and sewer services at the highest quality possible. The Utility is very proactive with encouraging staff leadership and involvement in several organizations to share our expertise and guidance in the industry. Utility staff serves in numerous leadership roles within various water and wastewater organizations at the National, State and Local levels including the following examples:

National

American Water Works Association

- Instrumentation and Controls – Committee Member
- Instrumentation and Controls Manual Revision – Technical Reviewer

Partnership for Safe Water

- Performance Evaluation and Assessment Committee, Distribution System Optimization Program – Vice Chair, National Reviewer
- Performance Evaluation and Assessment Committee, Water Treatment Plant Optimization Program – National Reviewer
- Distribution System Optimization Program, Self-Assessment Guide Revision Committee – Chapter Author

State

Wisconsin Section of American Water Works Association

- Board of Trustees – Secretary/Treasurer
- Treatment Operations Committee – Chair
- Management Committee – Committee Member
- Distribution Committee – Committee Member
- IT and Security Committee – Committee Member
- Regulatory Affairs Committee – Committee Member

Municipal Environmental Group – Water Division

- Member

Local

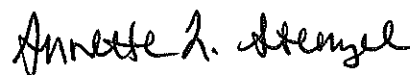
Milwaukee Metropolitan Sewerage District

- Technical Advisory Team – Member
- Water Executives of Southeastern Wisconsin*
- Member

Acknowledgments

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Administration. Appreciation is also extended to the General Manager, all department heads, employees and the Utility's independent auditors who contributed to its preparation. Further appreciation is extended to the Water and Sewer Utility Commissioners for their approval to prepare this report and for their recognition of its value.

Respectfully submitted,



Annette L. Stenzel, CPA
Accounting Supervisor

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Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Oak Creek Water and Sewer Utility
Wisconsin**

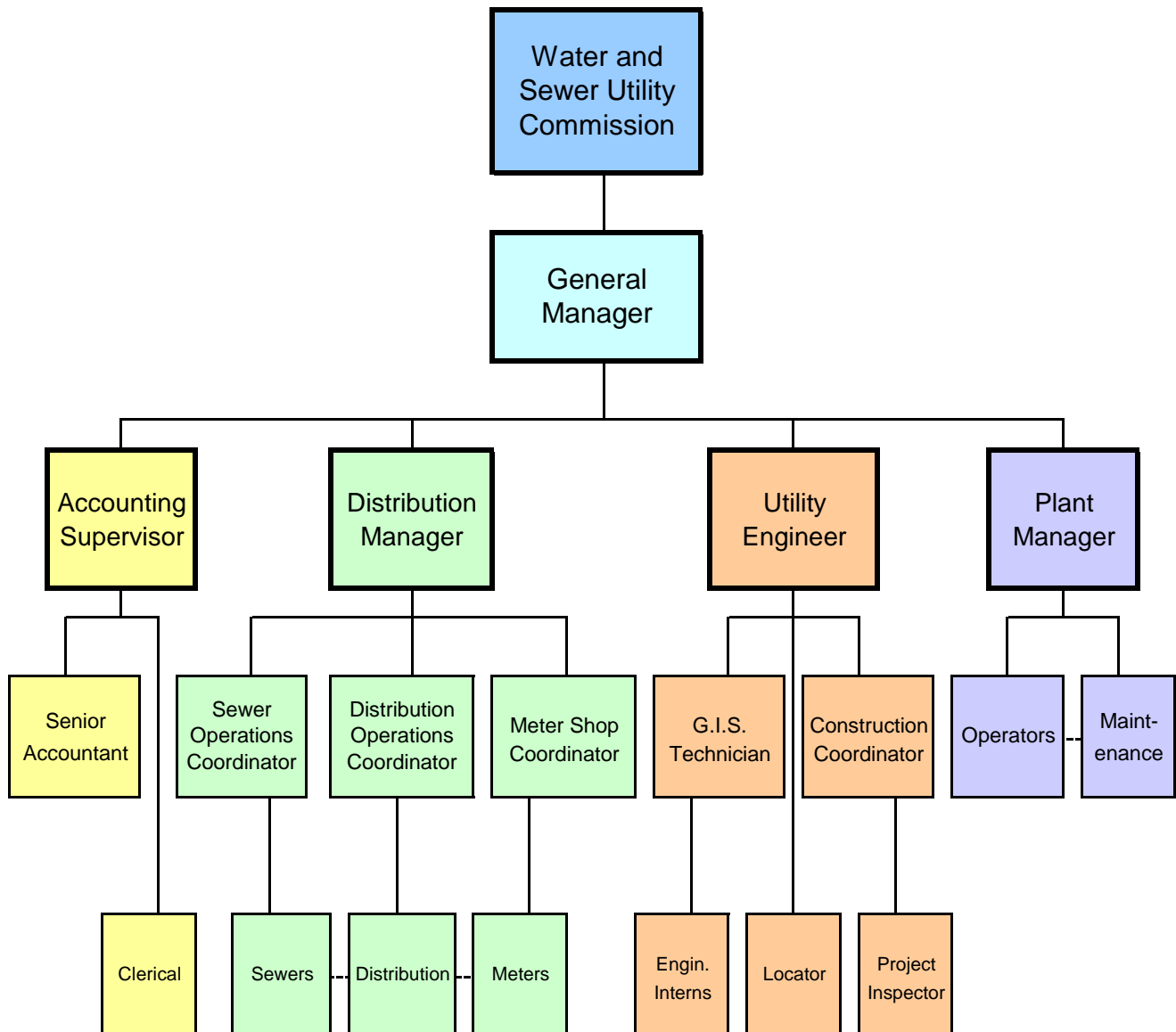
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrell

Executive Director/CEO

Organization Chart



List of Principal Officials

Water and Sewer Utility Commissioners

Chairman	Dale J. Richards
Secretary	Gerald H. Wille
Commissioner	Fredrick R. Siepert
Commissioner	Kenneth A. Gehl
Commissioner	Robert A. Cigale

Utility Management Staff

General Manager	Michael J. Sullivan
Utility Engineer	Brian L. Johnston
Accounting Supervisor	Annette L. Stenzel
Distribution Manager	Douglas J. Schwartz
Plant Manager	Michael P. Robe

Utility Team Members

Commissioners



Alderman Kenneth Gehl
Chairman
10 years of service



Gerald Wille
Secretary
34 years of service



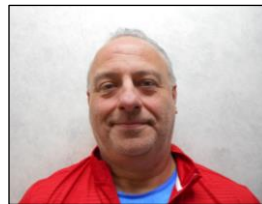
Fredrick Siepert
Commissioner
26 years of service



Dale Richards
Commissioner
8 years of service



Edward Siira
Outgoing Commissioner
5 years of service



Robert Cigale
Incoming Commissioner
Less than 1 year of service

General Manager



Michael Sullivan
General Manager
16 years of service

Utility Team Members

Administrative Department



Annette Stenzel
Accounting Supervisor
19 years of service



Kathleen Esselman
Confidential Secretary
43 years of service



Catherine Leranth
Senior Accountant
17 years of service



Nicole Butler
Utility Clerk
1 year of service

Engineering Department



Ronald Pritzlaff
Outgoing Utility Engineer
6 years of service



Brian Johnston
Incoming Utility Engineer
Less than 1 year of service



Daniel Niemi
Engineering Tech II
25 years of service



Sally Galewski
GIS Technician
24 years of service



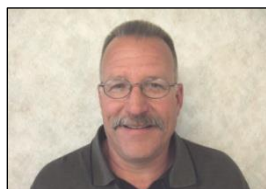
Seth Ricker
Construction Coordinator
4 years of service



Michael Wade
Utility Locator
2 years of service

Utility Team Members

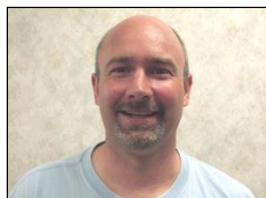
Transmission and Distribution Department



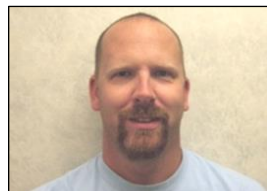
Douglas Schwartz
Distribution Manager
26 years of service



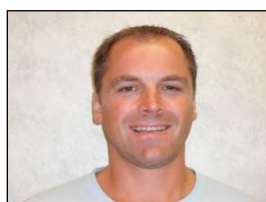
Andrew Volbrecht
Senior Utility Service
Worker
22 years of service



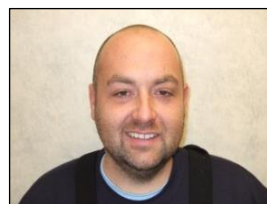
Greg Price
Senior Utility Service
Worker
12 years of service



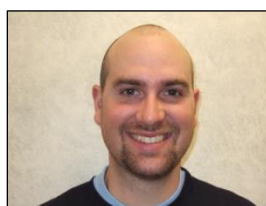
Darrin Allard
Senior Utility Service
Worker
12 years of service



Charles Struebing
Utility Service Worker
9 years of service



Eric Pier
Utility Service Worker
7 years of service



J. Ryan Maughan
Utility Service Worker
6 years of service



James Flatow
Utility Service Worker
4 years of service



Mark Proeber
Utility Service Worker
4 years of service

Custodian



Connie Gulland
Custodian
10 years of service

Utility Team Members

Treatment Plant Department



Michael Robe
Treatment Plant Manager
23 years of service



Jeffery White
Treatment Plant Operator
32 years of service



Eugene Klees
Treatment Plant Operator
18 years of service



Matthew Messerschmidt
Treatment Plant Operator
13 years of service



Michael Muschinski
Treatment Plant Operator
12 years of service



Jerome Bochat
Outgoing Treatment Plant
Operator
10 years of service



Juan Anaya
Treatment Plant Operator
11 years of service



Andrew Krueger
Treatment Plant Operator
4 years of service



Melissa Ludke
Treatment Plant Operator
1 year of service



Erika Bozich
Outgoing Treatment Plant
Operator
1 year of service

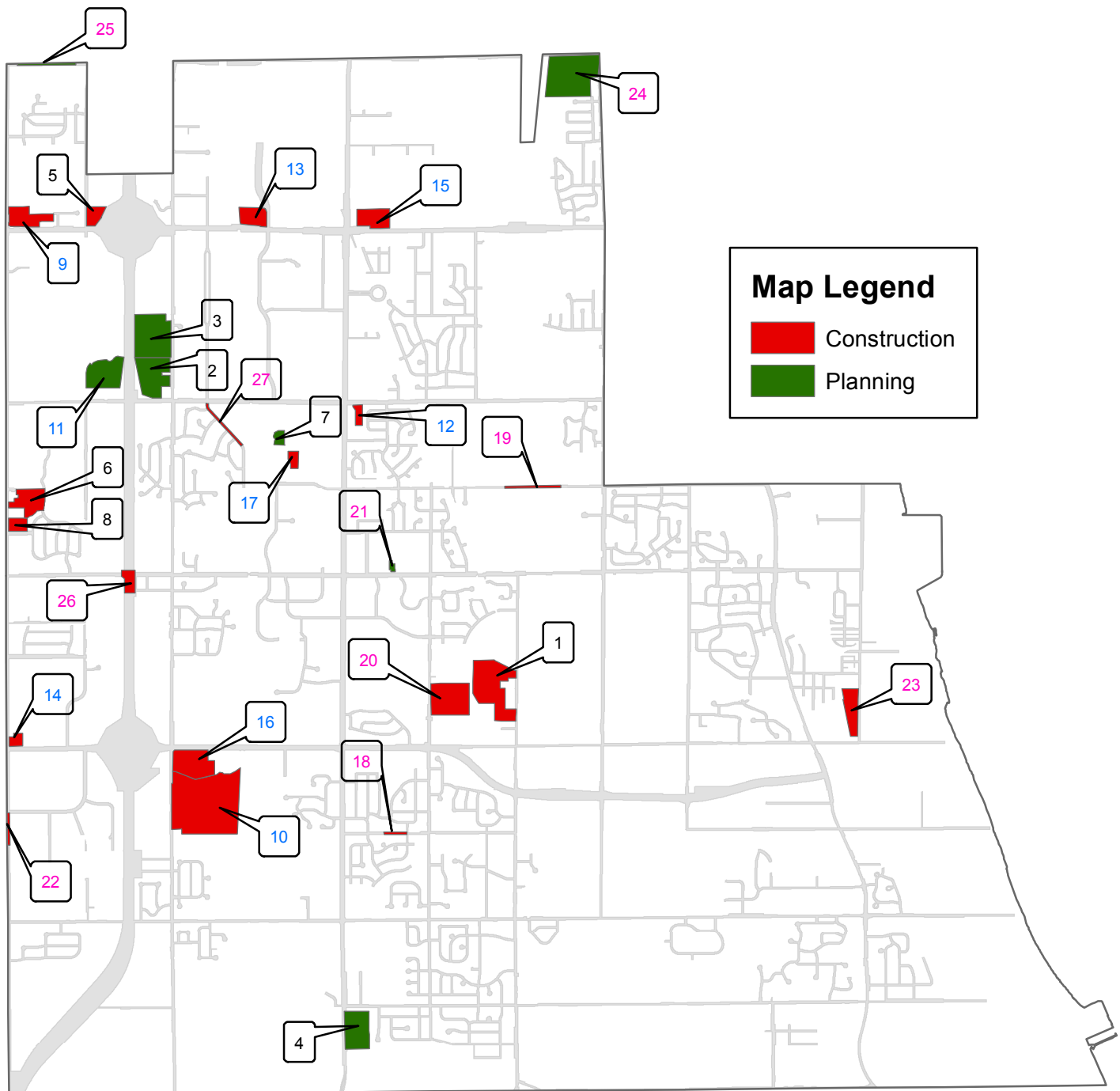


Jamey Roper
Incoming Treatment Plant
Operator
Less than 1 year of service



Steven Edlebeck
Incoming Treatment Plant
Operator
Less than 1 year of service

2019 Project Activity



Residential

- 1 East Brooke Preserve Ph II
- 2 Highgate
- 3 Hub 13
- 4 Mod Homes
- 5 Oak Park Place Assisted Living
- 6 Orchard Hills
- 7 Parterre
- 8 The Villas

Commercial/Industrial

- 9 All-Star Auto
- 10 Amazon
- 11 Creekside Crossing Market Place
- 12 Drexel Self Storage
- 13 HSA 6th & Rawson
- 14 Lakeshore Vet
- 15 Rawson Business Center
- 16 Ryan Business Park
- 17 Zund America

Government/Institutional

- 18 E. Fitzsimmons WM Relay
- 19 E. Forest Hill WM Loop
- 20 East Middle School Modifications
- 21 High School PAC
- 22 S. 27th St. WM Loop
- 23 Treatment Plant Locker Room Renovation
- 24 USPS
- 25 W. College Ave. WM Loop
- 26 W. Puetz Rd. WM Relay
- 27 Wildwood Dr. Sewer and WM Relay

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Utility Commission
Oak Creek Water and Sewer Utility
Oak Creek, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Oak Creek Water and Sewer Utility, enterprise funds of the City of Oak Creek, Wisconsin, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our 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 Oak Creek Water and Sewer Utility'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 Oak Creek Water and Sewer Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Creek Water and Sewer Utility as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Oak Creek Water and Sewer Utility enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Oak Creek, Wisconsin, as of December 31, 2019 and 2018 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The introductory section and statistical information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

The management of Oak Creek Water and Sewer Utility (Utility) offers all persons interested in the financial position of the Utility this narrative overview and analysis of the Utility's financial performance during the years ending December 31, 2019 and 2018. You are invited to read this narrative in conjunction with the Utility's financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$2,432,169, or 2.04%. The Water Utility's net position increased by \$1,828,561, or 2.42%, and the Sewer Utility's net position increased by \$603,608, or 1.38%. This overall increase in net position is due to a combination of operating revenues exceeding operating expenses, nonoperating revenues including interest and investment income, less nonoperating expenses comprised mostly of interest expense on debt, and the addition of capital contributions. Usage was higher for the Water Utility in 2019, and volume collected decreased slightly for the Sewer Utility in 2019.
- Total operating revenues, generated mostly by user fees, increased by \$66,092 or about .43%. Operating revenues increased for the Water Utility by \$21,275, or .19%, and increased for the Sewer Utility by \$44,817, or 1.04%. The overall increase is mainly due to greater water usage and an increase in Milwaukee Metropolitan Sewerage District pass-through rates that became effective on January 1, 2019. Water and local sanitary sewer rates remained unchanged from 2018 to 2019.
- Total operating expenses in 2019 were \$1,382,387 greater than in 2018, which is a 10.26% increase. The Water Utility's operating expenses increased by \$1,821,723, or 20.79%, and the Sewer Utility's operating expenses decreased by \$439,336, or 9.32%. The overall increase is primarily due to substantial expenses incurred for engineering design costs pertaining to a water treatment plant upgrade project that will not be constructed and an increase in the estimated liability for pollution remediation of contaminated soils. The Sewer Utility's decrease in operating expenses is mostly due to lower sewer rehabilitation costs for 2019, offset by greater sewer user charges paid to Milwaukee Metropolitan Sewerage District.
- Total investment and interest income increased by \$265,555, or 55.87%, in 2019 as a result of greater cash and investment earnings from improving economic conditions. Interest expense decreased in 2019 by \$11,470, or 2.05%, due to lower balances of outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Utility is a self-supporting entity and is comprised of two separate enterprise funds, water and sewer, of the City of Oak Creek (Municipality or Primary Government). The Utility provides water and sewer services to properties within the Municipality and also provides water services to certain areas outside the Municipality.

The Utility is managed by a Commission consisting of five appointed members. The Water Utility operates under service rules and rates that are established by the Public Service Commission of Wisconsin (PSCW). Rates and rules for the Sewer Utility are established by the Commission. Wastewater is treated per agreement with the Milwaukee Metropolitan Sewerage District.

See accompanying independent auditors' report.

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

This annual report includes management's discussion and analysis, the independent auditors' report and the financial statements of the Utility. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Utility report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statements of Net Position* includes all of the Utility's assets, liabilities and deferred outflows and inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and financial flexibility of the Utility.

All of the current year's revenues and expenses are accounted for in the *Statements of Revenues, Expenses and Changes in Net Position*. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility's user charges are sufficient.

The final required financial statement is the *Statements of Cash Flows*. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financial activities, and 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.

UTILITY FINANCIAL ANALYSIS

An analysis of the Utility's financial position begins with a review of the *Statements of Net Position* and the *Statements of Revenues, Expenses and Changes in Net Position* report information. These two statements report the Utility's net position and changes therein. The Utility's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) is the key to measuring the financial health of the Utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position could also be affected by other non-financial factors including economic conditions, population growth and new regulations. The Utility's overall financial position has improved for the years ended December 31, 2019 and 2018.

NET POSITION

A summary of the overall Utility's *Statements of Net Position* is presented below in Table 1.

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Table 1
Condensed Statements of Net Position – Utility Totals
2019, 2018 and 2017

				2019 vs. 2018		2018 vs. 2017	
	2019	2018	2017	Dollar Change	Percent Change	Dollar Change	Percent Change
Current Assets	\$ 32,897,669	\$ 31,082,636	\$ 28,136,449	\$ 1,815,033	5.84 %	\$ 2,946,187	10.47 %
Net Capital Assets	111,546,023	111,636,225	110,743,376	(90,202)	(0.08)	892,849	0.81
Other Noncurrent Assets	2,873,976	3,481,665	3,306,408	(607,689)	(17.45)	175,257	5.30
Total Assets	147,317,668	146,200,526	142,186,233	1,117,142	0.76	4,014,293	2.82
Unamortized loss on advance refunding of revenue bonds	11,874	24,827	37,780	(12,953)	(52.17)	(12,953)	(34.29)
Deferred outflows related to pension	1,421,262	772,951	946,272	648,311	83.87	(173,321)	(18.32)
Deferred outflows related to other postemployment benefits	294,348	236,591	-	57,757	24.41	236,591	N/A
Total Deferred Outflows of Resources	1,727,484	1,034,369	984,052	693,115	67.01	50,317	5.11
Total Assets and Deferred Outflows of Resources	149,045,152	147,234,895	143,170,285	1,810,257	1.23	4,064,610	2.84
Long-term Debt Outstanding, net of unamortized premiums	15,775,543	17,276,405	18,744,105	(1,500,862)	(8.69)	(1,467,700)	(7.83)
Due to Sewer Utility - advance	2,098,619	2,216,084	2,333,151	(117,465)	(5.30)	(117,067)	(5.02)
Other Liabilities	8,487,160	7,601,009	5,416,284	886,151	11.66	2,184,725	40.34
Total Liabilities	26,361,322	27,093,498	26,493,540	(732,176)	(2.70)	599,958	2.26
Deferred inflows related to pension	722,697	776,388	382,972	(53,691)	(6.92)	393,416	102.73
Deferred inflows related to other postemployment benefits	166,092	2,137	-	163,955	7,672.20	2,137	N/A
Total Deferred Inflows of Resources	888,789	778,525	382,972	110,264	14.16	395,553	103.29
Total Liabilities and Deferred Inflows of Resources	27,250,111	27,872,023	26,876,512	(621,912)	(2.23)	995,511	3.70
Net Investment in Capital Assets	95,719,714	93,773,494	91,977,717	1,946,220	2.08	1,795,777	1.95
Restricted							
Revenue bond redemption	45,833	68,750	66,667	(22,917)	(33.33)	2,083	3.12
Revenue bond reserve	763,961	811,056	850,954	(47,095)	(5.81)	(39,898)	(4.69)
Pension	-	406,918	-	(406,918)	(100.00)	406,918	N/A
Unrestricted	25,265,533	24,302,654	23,398,435	962,879	3.96	904,219	3.86
Total Net Position	\$ 121,795,041	\$ 119,362,872	\$ 116,293,773	\$ 2,432,169	2.04 %	\$ 3,069,099	2.64 %

As shown in the table above, total net position increased by \$2,432,169 in 2019, an increase of 2.04%. The majority of this increase is due to a combination of operating revenues exceeding operating expenses and the addition of capital contributions. Greater water usage in 2019 contributed to an increase in operating revenues and net position.

See accompanying independent auditors' report.

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Total net position increased by \$3,069,099 to \$119,362,872 in 2018, an increase of 2.64%. This increase is primarily due to the receipt of capital contributions and greater operating revenues than expenses. Increased water usage and sanitary sewer volume collected contributed to greater operating revenues and an increase in net position.

The restricted portion of net position includes accounts that are limited by bond covenants and the pension plan. Listed below are the restricted portions of net position:

Redemption – Used for debt service payments.

Reserve – Used for any deficiencies in the redemption account.

Pension – Used for pension plan funding.

A summary of the individual funds', Water and Sewer Utilities, *Statements of Net Position* is presented in Tables 2 and 3.

Table 2
Condensed Statements of Net Position – Water Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Current Assets	\$ 22,991,221	\$ 21,688,012	\$ 19,181,641	\$ 1,303,209	6.01 %	\$ 2,506,371	13.07 %
Net Capital Assets	77,973,399	78,300,447	77,864,486	(327,048)	(0.42)	435,961	0.56
Other Noncurrent Assets	864,624	1,265,629	1,044,943	(401,005)	(31.68)	220,686	21.12
Total Assets	101,829,244	101,254,088	98,091,070	575,156	0.57	3,163,018	3.22
Unamortized loss on advance refunding of revenue bonds	11,874	24,827	37,780	(12,953)	(52.17)	(12,953)	(34.29)
Deferred outflows related to pension	1,137,005	618,357	757,013	518,648	83.88	(138,656)	(18.32)
Deferred outflows related to other postemployment benefits	235,493	189,282	-	46,211	24.41	189,282	N/A
Total Deferred Outflows of Resources	1,384,372	832,466	794,793	551,906	66.30	37,673	4.74
Total Assets and Deferred Outflows of Resources	103,213,616	102,086,554	98,885,863	1,127,062	1.10	3,200,691	3.24
Long-term Debt Outstanding, net of unamortized premiums	15,775,543	17,276,405	18,744,105	(1,500,862)	(8.69)	(1,467,700)	(7.83)
Due to Sewer Utility - advance	2,098,619	2,216,084	2,333,151	(117,465)	(5.30)	(117,067)	(5.02)
Other Liabilities	7,094,281	6,265,665	4,517,203	828,616	13.22	1,748,462	38.71
Total Liabilities	24,968,443	25,758,154	25,594,459	(789,711)	(3.07)	163,695	0.64
Deferred inflows related to pension	578,156	621,109	306,377	(42,953)	(6.92)	314,732	102.73
Deferred inflows related to other postemployment benefits	132,875	1,710	-	131,165	7,670.47	1,710	N/A
Total Deferred Inflows of Resources	711,031	622,819	306,377	88,212	14.16	316,442	103.29

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Table 2 (continued)

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Total Liabilities and Deferred Inflows of Resources	25,679,474	26,380,973	25,900,836	(701,499)	(2.66)	480,137	1.85
Net Investment in Capital Assets	62,179,713	60,516,255	59,105,099	1,663,458	2.75	1,411,156	2.39
Restricted							
Revenue bond redemption	45,833	68,750	66,667	(22,917)	(33.33)	2,083	3.12
Revenue bond reserve	763,961	811,056	850,954	(47,095)	(5.81)	(39,898)	(4.69)
Pension	-	325,534	-	(325,534)	(100.00)	325,534	N/A
Unrestricted	14,544,635	13,983,986	12,962,307	560,649	4.01	1,021,679	7.88
Total Net Position	<u>\$ 77,534,142</u>	<u>\$ 75,705,581</u>	<u>\$ 72,985,027</u>	<u>\$ 1,828,561</u>	<u>2.42 %</u>	<u>\$ 2,720,554</u>	<u>3.73 %</u>

Table 2 displays the increase in the Water Utility's net position by \$1,828,561, or 2.42%, from 2018 to 2019. This increase in net position is mainly a result of capital asset contributions and the excess of operating revenues over operating expenses. Greater water usage contributed to an increase in operating revenues and net position.

The Water Utility's net position increased by \$2,720,554 to \$75,705,581 from 2017 to 2018, or 3.73%. This increase in net position is mostly due to operating revenues exceeding operating expenses and the addition of capital contributions. An increase in water usage for 2018 contributed to greater operating revenues and an increase in net position.

The restricted portion of net position includes accounts that are limited by bond covenants and the pension plan. Listed below are the restricted portions of net position:

Redemption – Used for debt service payments.

Reserve – Used for any deficiencies in the redemption account.

Pension – Used for pension plan funding.

Table 3
Condensed Statements of Net Position – Sewer Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Current Assets	\$ 9,906,448	\$ 9,394,624	\$ 8,954,808	\$ 511,824	5.45 %	\$ 439,816	4.91 %
Net Capital Assets	33,572,624	33,335,778	32,878,890	236,846	0.71	456,888	1.39
Other Noncurrent Assets	2,009,352	2,216,036	2,261,465	(206,684)	(9.33)	(45,429)	(2.01)
Total Assets	<u>45,488,424</u>	<u>44,946,438</u>	<u>44,095,163</u>	<u>541,986</u>	<u>1.21</u>	<u>851,275</u>	<u>1.93</u>
Deferred outflows related to pension	284,257	154,594	189,259	129,663	83.87	(34,665)	(18.32)
Deferred outflows related to other postemployment benefits	58,855	47,309	-	11,546	24.41	47,309	N/A
Total Deferred Outflows of Resources	<u>343,112</u>	<u>201,903</u>	<u>189,259</u>	<u>141,209</u>	<u>69.94</u>	<u>12,644</u>	<u>6.68</u>

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Table 3 (continued)

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Total Assets and Deferred Outflows of Resources	45,831,536	45,148,341	44,284,422	683,195	1.51	863,919	1.95
Other Liabilities	1,392,879	1,335,344	899,081	57,535	4.31	436,263	48.52
Total Liabilities	1,392,879	1,335,344	899,081	57,535	4.31	436,263	48.52
Deferred inflows related to pension	144,541	155,279	76,595	(10,738)	(6.92)	78,684	102.73
Deferred inflows related to other postemployment benefits	33,217	427	-	32,790	7,679.16	427	N/A
Total Deferred Inflows of Resources	177,758	155,706	76,595	22,052	14.16	79,111	103.28
Total Liabilities and Deferred Inflows of Resources	1,570,637	1,491,050	975,676	79,587	5.34	515,374	52.82
Net Investment in Capital Assets	33,540,001	33,257,239	32,872,618	282,762	0.85	384,621	1.17
Restricted - Pension	-	81,384	-	(81,384)	(100.00)	81,384	N/A
Unrestricted	10,720,898	10,318,668	10,436,128	402,230	3.90	(117,460)	(1.13)
Sewer Utility Net Position	\$ 44,260,899	\$ 43,657,291	\$ 43,308,746	\$ 603,608	1.38 %	\$ 348,545	0.80 %

In review of Table 3, the Sewer Utility's net position increased by \$603,608 to \$44,260,899, or 1.38%, from 2018 to 2019. This increase in net position is primarily due to capital asset contributions, the excess of operating revenues over operating expenses and nonoperating interest earned on cash and investments.

The Sewer Utility's net position increased by \$348,545, to \$43,657,291, from 2017 to 2018, an increase of .80%. This increase is mainly due to capital asset contributions and nonoperating investment and interest income. A slight increase in sanitary sewer volume collected contributed to an increase in operating revenues and net position.

The restricted portion of net position includes accounts that are limited by the pension plan. Listed below is the restricted portion of net position:

Pension – Used for pension plan funding.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

The specific nature or source of changes in net position becomes more evident in the Utility's *Statements of Revenues, Expenses and Changes in Net Position* as shown in Tables 4 through 6. These statements provide an indication of the Utility's financial health.

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Table 4
Condensed Statements of Revenues, Expenses and Changes in Net Position – Utility Totals
2019, 2018 and 2017

				2019 vs. 2018		2018 vs. 2017	
	2019	2018	2017	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating Revenues:							
Retail metered sales	\$ 9,978,927	\$ 9,936,798	\$ 9,468,945	\$ 42,129	0.42 %	\$ 467,853	4.94 %
Sales for resale	3,488,294	3,422,276	3,355,336	66,018	1.93	66,940	2.00
Unmetered sales	25,734	16,593	18,589	9,141	55.09	(1,996)	(10.74)
Private fire protection	196,347	189,952	180,732	6,395	3.37	9,220	5.10
Public fire protection	1,227,984	1,216,171	1,205,957	11,813	0.97	10,214	0.85
Interest and penalties	115,753	121,595	118,064	(5,842)	(4.80)	3,531	2.99
Rents from water property	292,754	309,608	296,839	(16,854)	(5.44)	12,769	4.30
Uncollectible accounts	(28,560)	-	-	(28,560)	N/A	-	N/A
Miscellaneous	66,499	84,647	161,425	(18,148)	(21.44)	(76,778)	(47.56)
Total Operating Revenues	15,363,732	15,297,640	14,805,887	66,092	0.43	491,753	3.32
Nonoperating Revenues:							
Investment and interest income	740,878	475,323	222,002	265,555	55.87	253,321	114.11
Merchandising and jobbing	-	-	4,553	-	N/A	(4,553)	(100.00)
Amortization	-	458	-	(458)	(100.00)	458	N/A
Gain on sale of capital assets	18,580	-	-	18,580	N/A	-	N/A
Total Nonoperating Revenues	759,458	475,781	226,555	283,677	59.62	249,226	110.01
Total Revenues	16,123,190	15,773,421	15,032,442	349,769	2.22	740,979	4.93
Amortization Expense	3,199	-	-	3,199	N/A	-	N/A
Depreciation Expense	3,120,969	3,070,613	3,038,992	50,356	1.64	31,621	1.04
Taxes Expense	1,900,730	1,834,973	1,828,312	65,757	3.58	6,661	0.36
Other Operating Expenses	9,834,576	8,571,501	7,826,040	1,263,075	14.74	745,461	9.53
Nonoperating Expenses	555,801	562,486	808,821	(6,685)	(1.19)	(246,335)	(30.46)
Total Expenses	15,415,275	14,039,573	13,502,165	1,375,702	9.80	537,408	3.98
Income Before Capital Contributions	707,915	1,733,848	1,530,277	(1,025,933)	(59.17)	203,571	13.30
Capital Contributions	1,724,254	2,750,563	972,666	(1,026,309)	(37.31)	1,777,897	182.79
Changes in Total Net Position	2,432,169	4,484,411	2,502,943	(2,052,242)	(45.76)	1,981,468	79.17
Beginning Total Net Position	119,362,872	116,293,773	113,790,830	3,069,099	2.64	2,502,943	2.20
Ending Total Net Position, Prior to Cumulative Effect of a Change in Accounting Principle	121,795,041	120,778,184	116,293,773	1,016,857	0.84	4,484,411	3.86
Cumulative Effect of a Change in Accounting Principle	-	(1,415,312)	-	1,415,312	(100.00)	(1,415,312)	N/A
Ending Total Net Position	\$ 121,795,041	\$ 119,362,872	\$ 116,293,773	\$ 2,432,169	2.04 %	\$ 3,069,099	2.64 %

Operating revenues for the Utility increased by \$66,092, or .43%, for 2019 due to an increase in the volume of water sold and a Milwaukee Metropolitan Sewerage District rate increase effective January 1, 2019.

Nonoperating revenues increased by \$283,677, or 59.62%, primarily as a result of greater investment and interest income. Depreciation and amortization expense increased by \$53,555, or 1.74%, in 2019 due to

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additional capital assets placed in service during the year. Capital asset additions also resulted in an increase in taxes expense by \$65,757, or 3.58%, for 2019. The increase in other operating expenses of \$1,263,075, or 14.74%, was primarily due to the expense incurred for engineering design costs pertaining to a water treatment plant upgrade project that will not be constructed and an increase in the estimated liability for pollution remediation of contaminated soils, which are unusual and non-recurring expenses. Nonoperating expenses decreased by \$6,685, or 1.19%, as a result of less interest incurred on outstanding debt. The decrease of \$1,206,309 in capital contributions is mainly from fewer developer funded projects entered into service during 2019.

The Utility's operating revenues increased by \$491,753, or 3.32%, for 2018, as a result of greater water usage, an increase in sanitary sewer volume collected and a Milwaukee Metropolitan Sewerage District rate increase effective January 1, 2018. Water and local sanitary sewer rates remained unchanged from 2017 to 2018. Nonoperating revenues increased by \$249,226, or 110.01%, due to an increase in interest income earned on cash and investments from improving economic conditions. Depreciation expense increased by \$31,621 and taxes expense increased by \$6,661 due to capital asset additions. Other operating expenses increased by \$745,461, or 9.53%, due mainly to the employment of an additional water treatment plant operator for a portion of the year, roof repairs needed at the water treatment plant, engineering studies and legal fees pertaining to a water quality improvement project construction authorization application, greater sewer user charges paid to Milwaukee Metropolitan Sewerage District and significant sewer rehabilitation costs for 2018. Nonoperating expenses decreased by \$246,335, or 30.46%, for 2018 as a result of a loss on capital assets recorded in 2017 and no loss recorded in 2018. The increase of \$1,777,897 in capital contributions is from additional developer-funded projects entered into service and State funding due for projects during 2018. The cumulative effect of a change in accounting principle, in the amount of (\$1,415,312), represents the change in beginning net position due to the implementation of GASB Statement No. 75.

Table 5
Condensed Statements of Revenues, Expenses and Changes in Net Position – Water Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Operating Revenues:							
Retail metered sales	\$ 5,667,686	\$ 5,686,475	\$ 5,541,988	\$ (18,789)	(0.33) %	\$ 144,487	2.61 %
Sales for resale	3,488,294	3,422,276	3,355,336	66,018	1.93	66,940	2.00
Unmetered sales	25,734	16,593	18,589	9,141	55.09	(1,996)	(10.74)
Private fire protection	196,347	189,952	180,732	6,395	3.37	9,220	5.10
Public fire protection	1,227,984	1,216,171	1,205,957	11,813	0.97	10,214	0.85
Interest and penalties	67,601	72,242	71,310	(4,641)	(6.42)	932	1.31
Rents from water property	292,754	309,608	296,839	(16,854)	(5.44)	12,769	4.30
Uncollectible accounts	(13,845)	-	-	(13,845)	N/A	-	N/A
Miscellaneous	61,877	79,840	155,981	(17,963)	(22.50)	(76,141)	(48.81)
Total Operating Revenues	11,014,432	10,993,157	10,826,732	21,275	0.19	166,425	1.54
Nonoperating Revenues:							
Investment and interest income	502,509	320,498	146,151	182,011	56.79	174,347	119.29
Merchandising and jobbing	-	-	4,553	-	N/A	(4,553)	(100.00)
Amortization	-	458	-	(458)	(100.00)	458	N/A
Gain on sale of capital assets	18,580	-	-	18,580	N/A	-	N/A
Total Nonoperating Revenues	521,089	320,956	150,704	200,133	62.36	170,252	112.97
Total Revenues	11,535,521	11,314,113	10,977,436	221,408	1.96	336,677	3.07

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

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Years Ended December 31, 2019 and 2018

Table 5 (continued)

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Amortization Expense	3,199	-	-	3,199	N/A	-	N/A
Depreciation Expense	2,566,441	2,517,822	2,497,439	48,619	1.93	20,383	0.82
Taxes Expense	1,856,151	1,790,672	1,782,553	65,479	3.66	8,119	0.46
Other Operating Expenses	6,159,958	4,455,532	4,109,730	1,704,426	38.25	345,802	8.41
Nonoperating Expenses	555,801	562,486	808,821	(6,685)	(1.19)	(246,335)	(30.46)
Total Expenses	11,141,550	9,326,512	9,198,543	1,815,038	19.46	127,969	1.39
Income (Loss) Before Capital Contributions	393,971	1,987,601	1,778,893	(1,593,630)	(80.18)	208,708	11.73
Capital Contributions	1,434,590	1,865,252	694,696	(430,662)	(23.09)	1,170,556	168.50
Changes in Total Net Position	1,828,561	3,852,853	2,473,589	(2,024,292)	(52.54)	1,379,264	55.76
Beginning Total Net Position	75,705,581	72,985,027	70,511,438	2,720,554	3.73	2,473,589	3.51
Ending Total Net Position, Prior to Cumulative Effect of a Change in Accounting Principle	77,534,142	76,837,880	72,985,027	696,262	0.91	3,852,853	5.28
Cumulative Effect of a Change in Accounting Principle	-	(1,132,299)	-	1,132,299	(100.00)	(1,132,299)	N/A
Ending Total Net Position	<u>\$ 77,534,142</u>	<u>\$ 75,705,581</u>	<u>\$ 72,985,027</u>	<u>\$ 1,828,561</u>	<u>2.42 %</u>	<u>\$ 2,720,554</u>	<u>3.73 %</u>

Operating revenues for the Water Utility increased by \$21,275, or .19%, for 2019 primarily due to greater water usage overall. Nonoperating revenues increased by \$200,133, or 62.36%, mostly from greater investment and interest income. Depreciation and amortization expense increased by \$51,818, or 2.06%, due to the additions of capital assets placed in service during 2019, offset by capital asset retirements and cost of removal. Capital asset additions also resulted in an increase in taxes expense by \$65,479, or 3.66% for 2019. The increase in other operating expenses of \$1,704,426, or 38.25%, is mainly from the expensing of engineering design costs pertaining to a water treatment plant improvement project that will not be constructed and an increase in the estimated liability for pollution remediation of contaminated soils. Nonoperating expenses decreased by \$6,685, or 1.19%, mostly due to less interest incurred on outstanding debt. Capital contributions decreased by \$430,662 from the prior year, or 23.09%, due to fewer developer funded projects entered into service during 2019.

The Water Utility's operating revenues increased by \$166,425, or 1.54%, for 2018 due to greater water usage. Water rates remained unchanged for 2018 as compared to 2017. Nonoperating revenues increased during 2018 by \$170,252, or 112.97%, due to an increase in interest income earned on cash and investments from improving economic conditions. The increases of \$20,383, or .82%, in depreciation expense and \$8,119, or .46%, in taxes expense are a result of capital asset additions. Other operating expenses increased by \$345,802, or 8.41%, for 2018 due mainly to the employment of an additional water treatment plant operator for a portion of the year, roof repairs needed at the water treatment plant and engineering studies and legal fees pertaining to a water quality improvement project construction authorization application. The \$246,335 decrease in nonoperating expenses, or 30.46%, is mostly from no loss on capital assets recorded for 2018 as compared to a \$260,288 loss recorded in 2017. Capital contributions increased by \$1,170,556 due to additional developer-funded projects entered into service and State funding due for projects during 2018. The cumulative effect of a change in accounting principle, in the amount of (\$1,132,299), represents the change in beginning net position due to the implementation of GASB Statement No. 75.

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OAK CREEK WATER AND SEWER UTILITY

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Table 6
Condensed Statements of Revenues, Expenses and Changes in Net Position – Sewer Utility
2019, 2018 and 2017

				2019 vs. 2018		2018 vs. 2017	
	2019	2018	2017	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating Revenues:							
Retail metered sales	\$ 4,311,241	\$ 4,250,323	\$ 3,926,957	\$ 60,918	1.43 %	\$ 323,366	8.23 %
Interest and penalties	48,152	49,353	46,754	(1,201)	(2.43)	2,599	5.56
Uncollectible accounts	(14,715)	-	-	(14,715)	N/A	-	N/A
Miscellaneous	4,622	4,807	5,444	(185)	(3.85)	(637)	(11.70)
Total Operating Revenues	<u>4,349,300</u>	<u>4,304,483</u>	<u>3,979,155</u>	<u>44,817</u>	<u>1.04</u>	<u>325,328</u>	<u>8.18</u>
Nonoperating Revenues:							
Investment and interest income	238,369	154,825	75,851	83,544	53.96	78,974	104.12
Total Nonoperating Revenues	<u>238,369</u>	<u>154,825</u>	<u>75,851</u>	<u>83,544</u>	<u>53.96</u>	<u>78,974</u>	<u>104.12</u>
Total Revenues	<u>4,587,669</u>	<u>4,459,308</u>	<u>4,055,006</u>	<u>128,361</u>	<u>2.88</u>	<u>404,302</u>	<u>9.97</u>
Depreciation Expense	554,528	552,791	541,553	1,737	0.31	11,238	2.08
Taxes Expense	44,579	44,301	45,759	278	0.63	(1,458)	(3.19)
Other Operating Expenses	<u>3,674,618</u>	<u>4,115,969</u>	<u>3,716,310</u>	<u>(441,351)</u>	<u>(10.72)</u>	<u>399,659</u>	<u>10.75</u>
Total Expenses	<u>4,273,725</u>	<u>4,713,061</u>	<u>4,303,622</u>	<u>(439,336)</u>	<u>(9.32)</u>	<u>409,439</u>	<u>9.51</u>
Income Before Capital Contributions	313,944	(253,753)	(248,616)	567,697	(223.72)	(5,137)	2.07
Capital Contributions	<u>289,664</u>	<u>885,311</u>	<u>277,970</u>	<u>(595,647)</u>	<u>(67.28)</u>	<u>607,341</u>	<u>218.49</u>
Changes in Total Net Position	603,608	631,558	29,354	(27,950)	(4.43)	602,204	2,051.52
Beginning Total Net Position	<u>43,657,291</u>	<u>43,308,746</u>	<u>43,279,392</u>	<u>348,545</u>	<u>0.80</u>	<u>29,354</u>	<u>0.07</u>
Ending Total Net Position, Prior to Cumulative Effect of a Change in Accounting Principle	44,260,899	43,940,304	43,308,746	320,595	0.73	631,558	1.46
Cumulative Effect of a Change in Accounting Principle	-	(283,013)	-	283,013	(100.00)	(283,013)	N/A
Ending Total Net Position	<u>\$ 44,260,899</u>	<u>\$ 43,657,291</u>	<u>\$ 43,308,746</u>	<u>\$ 603,608</u>	<u>1.38 %</u>	<u>\$ 348,545</u>	<u>0.80 %</u>

Operating revenues for the Sewer Utility increased by \$44,817, or 1.04%, mainly due to an increase in Milwaukee Metropolitan Sewerage District rates which became effective January 1, 2019. Nonoperating revenues increased by \$83,544, or 53.96%, as a result of greater investment and interest income. Depreciation expense increased slightly by \$1,737, or .31%, due to capital asset additions; and taxes expense increased by \$278, or .63%. Other operating expenses decreased by \$441,351, or 10.72%, due to significant sewer system rehabilitation costs incurred in the previous year, offset by greater sewer user charges paid to Milwaukee Metropolitan Sewerage District in 2019. Capital contributions decreased by \$595,647 as a result of fewer developer funded projects entered into service during 2019.

The Sewer Utility's operating revenues for 2018 increased by \$325,328, or 8.18%, primarily due to an increase in the Milwaukee Metropolitan Sewerage District rates effective January 1, 2018, along with a slight increase in

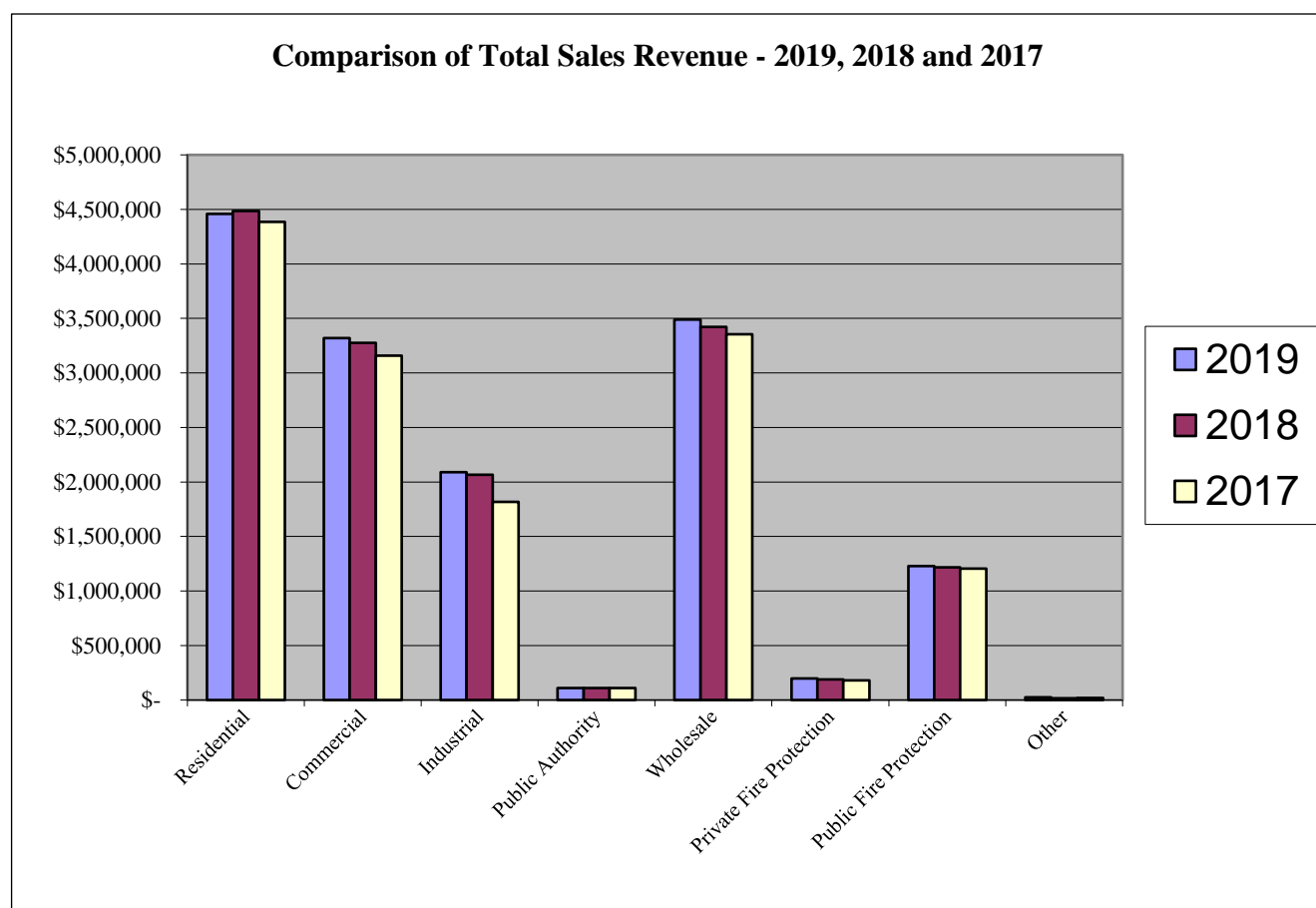
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sanitary sewer collection volume. Local sanitary sewer rates remained unchanged from 2017 to 2018. Nonoperating revenues increased by \$78,974, or 104.12%, as a result of greater interest income earned on cash and investments from improving economic conditions. Depreciation expense increased by \$11,238, or 2.08%, and taxes expense decreased slightly by \$1,458, or 3.19%. Other operating expenses increased by \$399,659, or 10.75%, mostly due to increases in Milwaukee Metropolitan Sewerage District charges and significant sewer rehabilitation projects. Capital contributions increased by \$607,341, or 218.49%, due to greater developer funded projects entered into service during 2018. The cumulative effect of a change in accounting principle, in the amount of (\$283,013), represents the change in beginning net position due to the implementation of GASB Statement No. 75.

The following graph shows a comparison of total sales revenue for 2019, 2018 and 2017.



Overall, total sales revenues increased by \$135,496, or .92%, in 2019, which is mostly due to greater water usage and an increase in Milwaukee Metropolitan Sewerage District rates that became effective January 1, 2019. Water and local sanitary sewer rates remained unchanged from 2018 to 2019.

Total sales revenue increased by \$552,231, or 3.88%, for 2018 as compared to 2017. The primary reason for this increase in sales revenue is from greater water usage and sanitary sewer collection volume in 2018. Milwaukee Metropolitan Sewerage District rates were increased on January 1, 2018, which also contributed to

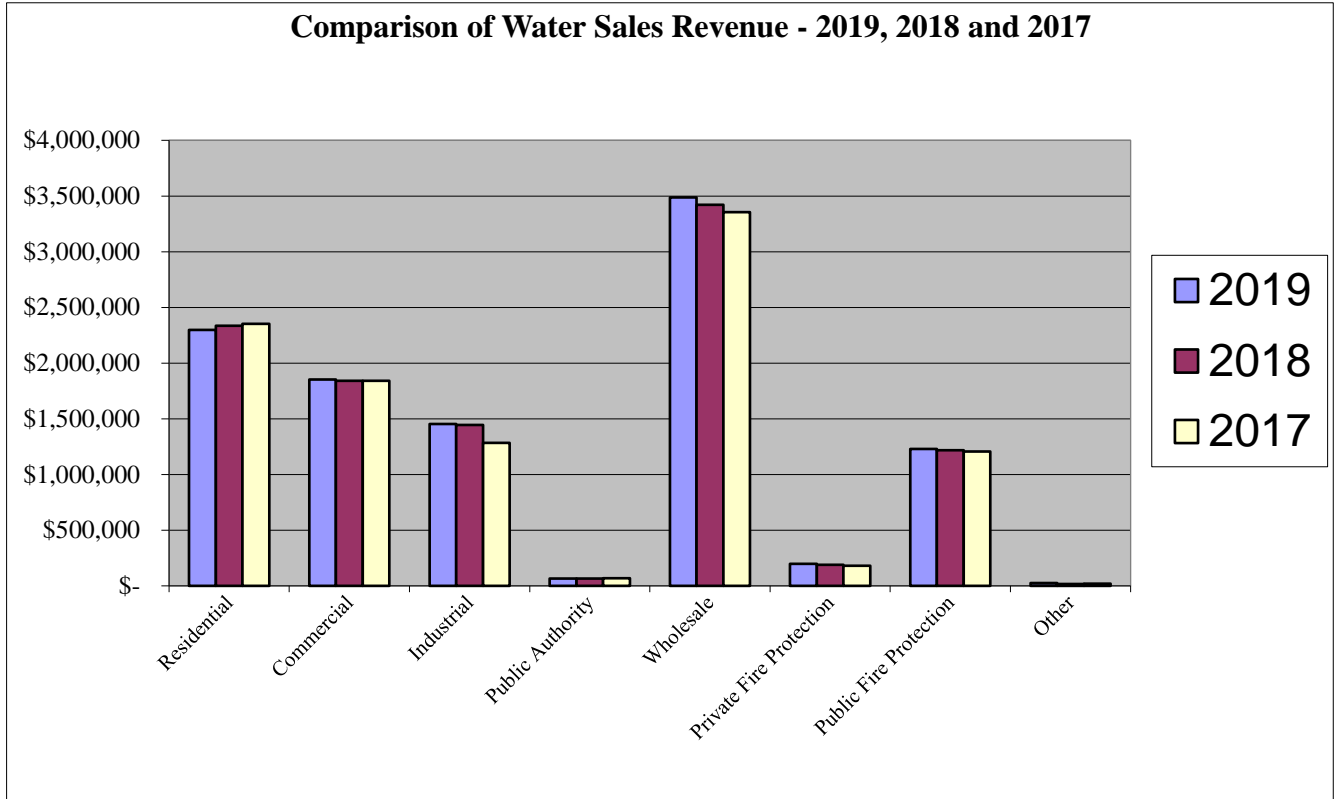
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an increase in sales revenue for the Utility. Water and local sanitary sewer rates remained unchanged from 2017 to 2018.

The following graph shows a comparison of water sales revenues for 2019, 2018 and 2017.



Sales of water services increased by \$74,578, or .71%, for 2019. This increase in sales revenue is a result of an overall increase in water usage. Water rates remained unchanged from 2018 to 2019.

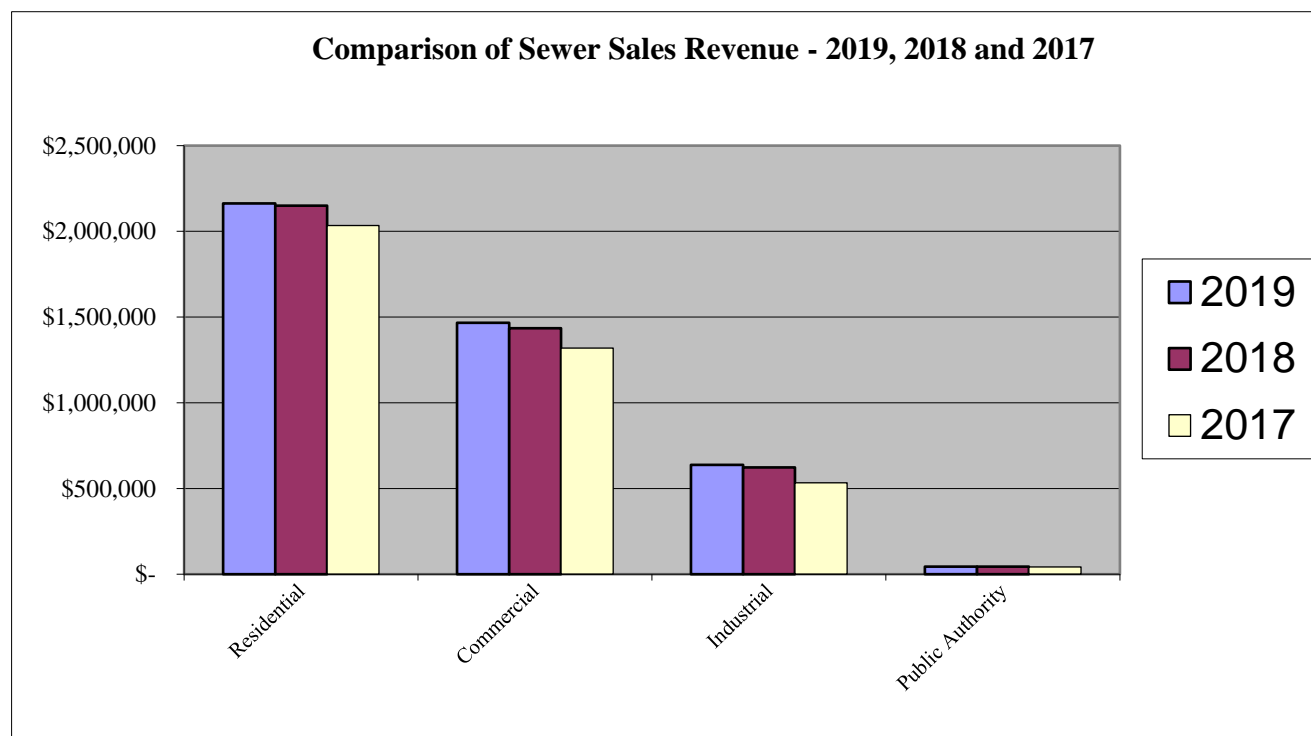
Water sales revenue increased by \$228,865, or 2.22%, for 2018. This increase is due to greater water usage for 2018. Water rates remained unchanged for 2018 as compared to 2017.

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The following graph shows a comparison of sewer sales revenue for 2019, 2018 and 2017.



Sales of sewer services increased by \$60,918, or 1.43%, in 2019 and increased by \$323,366, or 8.23%, in 2018. These increases are mostly due to annual adjustments in the Milwaukee Metropolitan Sewerage District charges. Changes in the sewage collection volume, which were slightly lower in 2019 and greater in 2018, also have an impact on revenues from sales of sewer services.

CASH FLOWS

The *Statements of Cash Flows*, illustrated in Tables 7 through 9, report the cash provided and used by operating activities, as well as other cash sources and uses derived from financing and investment activities.

Table 7
Condensed Statements of Cash Flows – Utility Totals
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Cash Flows From:							
Operating activities	\$ 6,301,220	\$ 4,925,318	\$ 5,290,895	\$ 1,375,902	27.94 %	\$ (365,577)	(6.91) %
Capital and related financing activities	(5,345,780)	(3,085,126)	(982,019)	(2,260,654)	73.28	(2,103,107)	214.16

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Table 7 (continued)

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Noncapital and related financing activities	117,465	117,067	41,925	398	0.34	75,142	179.23
Investing activities	2,721,877	806,411	159,376	1,915,466	237.53	647,035	405.98
Net Change in Cash and Cash Equivalents	3,794,782	2,763,670	4,510,177	1,031,112	37.31	(1,746,507)	(38.72)
Cash and Cash Equivalents - Beginning of Year	20,489,692	17,726,022	13,215,845	2,763,670	15.59	4,510,177	34.13
Cash and Cash Equivalents - End of Year	<u>\$ 24,284,474</u>	<u>\$ 20,489,692</u>	<u>\$ 17,726,022</u>	<u>\$ 3,794,782</u>	<u>18.52 %</u>	<u>\$ 2,763,670</u>	<u>15.59 %</u>

Table 8
Condensed Statements of Cash Flows – Water Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Cash Flows From:							
Operating activities	\$ 5,573,332	\$ 4,815,735	\$ 5,078,000	\$ 757,597	15.73 %	\$ (262,265)	(5.16) %
Capital and related financing activities	(4,854,570)	(3,121,073)	(800,262)	(1,733,497)	55.54	(2,320,811)	290.01
Investing activities	2,725,066	827,902	155,723	1,897,164	229.15	672,179	431.65
Net Change in Cash and Cash Equivalents	3,443,828	2,522,564	4,433,461	921,264	36.52	(1,910,897)	(43.10)
Cash and Cash Equivalents - Beginning of Year	14,306,247	11,783,683	7,350,222	2,522,564	21.41	4,433,461	60.32
Cash and Cash Equivalents - End of Year	<u>\$ 17,750,075</u>	<u>\$ 14,306,247</u>	<u>\$ 11,783,683</u>	<u>\$ 3,443,828</u>	<u>24.07 %</u>	<u>\$ 2,522,564</u>	<u>21.41 %</u>

Table 9
Condensed Statements of Cash Flows – Sewer Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Cash Flows From:							
Operating activities	\$ 727,888	\$ 109,583	\$ 212,895	\$ 618,305	564.23 %	\$ (103,312)	(48.53) %
Capital and related financing activities	(491,210)	35,947	(181,757)	(527,157)	1,466.48	217,704	(119.78)
Noncapital and related financing activities	117,465	117,067	41,925	398	(0.34)	75,142	179.23
Investing activities	(3,189)	(21,491)	3,653	18,302	(85.16)	(25,144)	(688.31)

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Table 9 (continued)

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Net Change in Cash and Cash Equivalents	350,954	241,106	76,716	109,848	45.56	164,390	214.28
Cash and Cash Equivalents - Beginning of Year	6,183,445	5,942,339	5,865,623	241,106	4.06	76,716	1.31
Cash and Cash Equivalents - End of Year	<u>\$ 6,534,399</u>	<u>\$ 6,183,445</u>	<u>\$ 5,942,339</u>	<u>\$ 350,954</u>	<u>5.68 %</u>	<u>\$ 241,106</u>	<u>4.06 %</u>

CAPITAL ASSETS

Tables 10 through 12 summarize the Utility's capital assets. Please refer to the *Notes to Financial Statements*, particularly the *Capital Assets* section of *Note 1 – Summary of Significant Accounting Policies* and *Note 8 – Changes in Capital Assets*, for further detail of the Utility's capital assets.

Table 10
Capital Assets – Utility Totals
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Source of supply plant	\$ 7,064,286	\$ 7,064,286	\$ 7,064,286	\$ -	- %	\$ -	- %
Pumping plant	9,017,117	8,879,824	8,891,721	137,293	1.55	(11,897)	(0.13)
Water treatment plant	25,423,116	25,285,960	25,116,184	137,156	0.54	169,776	0.68
Transmission and distribution plant	74,431,070	70,825,069	68,939,050	3,606,001	5.09	1,886,019	2.74
Collecting system - intangible	16,175	-	-	16,175	N/A	-	N/A
Collecting system - pumping equipment	242,170	242,170	242,170	-	-	-	-
Collecting system - other	45,057,952	44,489,071	43,762,112	568,881	1.28	726,959	1.66
General plant - intangible	69,544	-	-	69,544	N/A	-	N/A
General plant - other	5,473,212	5,451,994	5,495,253	21,218	0.39	(43,259)	(0.79)
Total Capital Assets	166,794,642	162,238,374	159,510,776	4,556,268	2.81	2,727,598	1.71
Accumulated amortization	(3,199)	-	-	(3,199)	N/A	-	N/A
Accumulated depreciation	(55,483,157)	(52,804,973)	(50,154,338)	(2,678,184)	5.07	(2,650,635)	5.28
Construction in progress	237,737	2,202,824	1,386,938	(1,965,087)	(89.21)	815,886	58.83
Net Capital Assets	<u>\$ 111,546,023</u>	<u>\$ 111,636,225</u>	<u>\$ 110,743,376</u>	<u>\$ (90,202)</u>	<u>(0.08) %</u>	<u>\$ 892,849</u>	<u>0.81 %</u>

The Utility's capital assets increased by \$4,556,268, or 2.81%, in 2019. This increase is comprised of developer funded contributions of \$1,003,285, State funded contributions of \$444,972, Primary Government funded contributions of \$267,048, special assessments of \$1,429 and Utility financed capital asset additions of \$3,222,570, less \$383,036 from retirements and sales. Construction in progress decreased by \$1,965,087, or 89.21%, mostly due water main extension and relay projects placed into service in 2019, along with expensing the engineering design costs pertaining to a water quality improvement project at the water treatment plant which was in progress as of 2018 and will no longer be constructed.

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Years Ended December 31, 2019 and 2018

Total capital assets increased by \$2,727,598, or 1.71%, in 2018. This increase includes developer funded contributions of \$2,343,169. The remaining balance is from Utility financed capital assets put into service in the amount of \$830,376, less \$445,947 of retirements and sales. Construction in progress increased by \$815,886, or 58.83%, in 2018 due mainly to water main extension projects, the I94 corridor project, the water treatment plant locker room remodeling project and engineering costs related to the re-design of the water quality improvement project which were all in progress as of December 31, 2018.

Table 11
Capital Assets – Water Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Source of supply plant	\$ 7,064,286	\$ 7,064,286	\$ 7,064,286	\$ -	- %	\$ -	- %
Pumping plant	9,017,117	8,879,824	8,891,721	137,293	1.55	(11,897)	(0.13)
Water treatment plant	25,423,116	25,285,960	25,116,184	137,156	0.54	169,776	0.68
Transmission and distribution plant	74,431,070	70,825,069	68,939,050	3,606,001	5.09	1,886,019	2.74
General plant - intangible	69,544	-	-	69,544	N/A	-	N/A
General plant - other	4,868,958	4,845,209	4,883,883	23,749	0.49	(38,674)	(0.79)
Total Capital Assets	120,874,091	116,900,348	114,895,124	3,973,743	3.40	2,005,224	1.75
Accumulated amortization	(3,199)	-	-	(3,199)	N/A	-	N/A
Accumulated depreciation	(43,024,951)	(40,794,780)	(38,405,731)	(2,230,171)	5.47	(2,389,049)	6.22
Construction in progress	127,458	2,194,879	1,375,093	(2,067,421)	(94.19)	819,786	59.62
Net Capital Assets	<u>\$ 77,973,399</u>	<u>\$ 78,300,447</u>	<u>\$ 77,864,486</u>	<u>\$ (327,048)</u>	<u>(0.42) %</u>	<u>\$ 435,961</u>	<u>0.56 %</u>

The Water Utility's capital assets increased by \$3,973,743, or 3.40%, in 2019. This increase is from a combination of developer funded contributions of \$731,373, State funded contributions of \$444,972, Primary Government funded contributions of \$258,245 and Utility funded capital asset additions in the amount of \$2,913,067, less retirements and sales of \$373,914. Construction in progress decreased by \$2,067,421, or 94.19%, due to water main extension and relay projects placed into service in 2019, in addition to expensing the engineering design costs pertaining to a water quality improvement project at the water treatment plant which was in progress as of 2018 and will no longer be constructed.

The Water Utility's total capital assets increased by \$2,005,224, or 1.75%, in 2018. This increase is from developer funded contributions of \$1,463,498 and Utility funded capital asset additions of \$742,454. Also, capital assets in the amount of \$200,728 were retired in 2018. Construction in progress for 2018 increased by \$819,786, or 59.62%, due mainly to water main extension projects, the I94 corridor project, the water treatment plant locker room remodeling project and engineering costs related to the re-design of the water quality improvement project which were all in progress as of December 31, 2018.

See accompanying independent auditors' report.

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Table 12
Capital Assets – Sewer Utility
2019, 2018 and 2017

	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Collecting system - intangible	\$ 16,175	\$ -	\$ -	\$ 16,175	N/A %	\$ -	N/A %
Collecting system - pumping equipment	242,170	242,170	242,170	-	-	-	-
Collecting system - other	45,057,952	44,489,071	43,762,112	568,881	1.28	726,959	1.66
General plant	604,254	606,785	611,370	(2,531)	(0.42)	(4,585)	(0.75)
Total Capital Assets	45,920,551	45,338,026	44,615,652	582,525	1.28	722,374	1.62
Accumulated depreciation	(12,458,206)	(12,010,193)	(11,748,607)	(448,013)	3.73	(261,586)	2.23
Construction in progress	110,279	7,945	11,845	102,334	1,288.03	(3,900)	(32.93)
Net Capital Assets	<u>\$ 33,572,624</u>	<u>\$ 33,335,778</u>	<u>\$ 32,878,890</u>	<u>\$ 236,846</u>	<u>0.71 %</u>	<u>\$ 456,888</u>	<u>1.39 %</u>

Capital assets for the Sewer Utility increased by \$582,525, or 1.28%, in 2019. This increase is comprised of developer funded contributions of \$271,912, Primary Government funded contributions of \$8,803, special assessments of \$1,429 and Utility funded capital asset additions of \$309,503, less retirements and sales of \$9,122. Construction in progress increased by \$102,334 in 2019, up from \$7,945 in 2018. This increase is mainly due to design costs incurred on the Jewell Streel lift station abandonment project, which was in progress as of December 31, 2019.

The Sewer Utility's total capital assets increased by \$722,374, or 1.62%, in 2018. This increase is primarily due to the addition of sewer collection mains from developer projects in the amount of \$879,671. The remaining amount of \$87,922 is from Utility funded capital asset additions, less \$245,219 for retirements or sales of capital assets for the Sewer Utility in 2018. Construction in progress decreased by \$3,900, or 32.93%, mostly due to portions of a system-wide sewer rehabilitation project that were placed into service during 2018.

LONG-TERM DEBT

As of December 31, 2019 and 2018, the Utility had total revenue bond debt outstanding, net of unamortized premiums, of \$15,773,047 and \$17,265,966, respectively, payable from and secured by a pledge of income and revenue to be derived from the operation of the Utility.

The Water Utility had revenue bonds outstanding, net of unamortized premiums, as of December 31, 2019 and 2018 respectively, in the amounts of \$15,773,047 and \$17,265,966. These issues were for various construction projects including a raw water intake, a ground storage reservoir, a pumping station, transmission and distribution mains, expansion of the treatment plant and treatment plant electrical generation. One of the issues was used to refund water revenue bonds to take advantage of lower rates.

During 2013, the Sewer Utility advanced \$2,500,000 to the Water Utility to help finance Utility funded water main projects. The outstanding balances of this advance as of December 31, 2019 and 2018, respectively, were \$2,098,619 and \$2,216,084.

See accompanying independent auditors' report.

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

The Sewer Utility had no outstanding debt as of December 31, 2019 and 2018, respectively.

The Utility carries an Aa2 rating from Moody's Investors Service for its water and sewer revenue bonds. Please refer to *Note 9 – Long-Term Debt* in the *Notes to Financial Statements* for further detail of the Utility's long-term debt.

ECONOMIC FACTORS AND FUTURE PLANNING

The primary service area of the Utility is located in southern Milwaukee County, and is one of the fastest growing areas in the state. The combined population growth for the Utility's service area has averaged 627 persons annually over the past ten years. Continued growth is projected for the Utility's service area into the extended future. In conjunction with its master plan, the Utility has maintained project and financial planning to keep pace with this growth. Rate structures are also reviewed on a consistent basis to ensure that water and sewer services are provided to customers at the best value.

The Utility's management team continues to focus on identifying and implementing necessary improvements. Through extensive planning, modeling, assessing and reviewing, all aspects of the Utility's operations are frequently evaluated in relation to best practices in the industry. The Utility has recognized opportunities for improvement, which are thoroughly researched and implemented by the team to best meet the growing needs of the Utility and its customers.

CONTACTING UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers 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 financial information, contact Annette Stenzel, Accounting Supervisor of the Oak Creek Water and Sewer Utility, at (414) 570-8210 or Oak Creek Water and Sewer Utility, 170 West Drexel Avenue, Oak Creek, WI 53154.

General information relating to the Oak Creek Water and Sewer Utility can be found at the Utility's web site www.water.oak-creek.wi.us.

See accompanying independent auditors' report.

FINANCIAL STATEMENTS

Statements of Net Position

As of December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 17,750,075	\$ 14,306,247	\$ 6,534,399	\$ 6,183,445	\$ 24,284,474	\$ 20,489,692
Investments	2,543,650	4,692,199	2,249,788	2,006,931	4,793,438	6,699,130
Accounts receivable						
Customer	1,056,504	1,058,974	617,141	625,631	1,673,645	1,684,605
Unbilled	1,031,741	1,006,782	297,664	285,943	1,329,405	1,292,725
Other	464,859	461,884	668	633	465,527	462,517
Inventory	77,354	70,180	-	-	77,354	70,180
Due from Water Utility - accrued interest receivable	-	-	1,621	2,386	1,621	2,386
Due from Water Utility - advance	-	-	117,865	117,465	117,865	117,465
Due from Primary Government	-	-	87,302	172,190	87,302	172,190
Restricted assets						
Revenue bond redemption account	67,038	91,746	-	-	67,038	91,746
Total Current Assets	22,991,221	21,688,012	9,906,448	9,394,624	32,897,669	31,082,636
Noncurrent Assets						
Restricted Assets						
Revenue bond reserve account	763,961	811,056	-	-	763,961	811,056
Net pension asset	-	325,534	-	81,384	-	406,918
Total Restricted Assets	763,961	1,136,590	-	81,384	763,961	1,217,974
Other Assets						
Property held for future use	5,000	5,000	-	-	5,000	5,000
Due from Water Utility - advance	-	-	1,980,754	2,098,619	1,980,754	2,098,619
Special assessments	95,663	124,039	28,598	36,033	124,261	160,072
Total Other Assets	100,663	129,039	2,009,352	2,134,652	2,110,015	2,263,691

See accompanying notes to financial statements.

OAK CREEK WATER AND SEWER UTILITY

Statements of Net Position

As of December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
Capital Assets						
Land and land rights	242,750	242,750	13,145	13,145	255,895	255,895
Intangible assets	69,544	-	16,175	-	85,719	-
Plant in service	120,561,797	116,657,598	45,891,231	45,324,881	166,453,028	161,982,479
Construction work in progress	127,458	2,194,879	110,279	7,945	237,737	2,202,824
Accumulated amortization	(3,199)	-	-	-	(3,199)	-
Accumulated depreciation	(43,024,951)	(40,794,780)	(12,458,206)	(12,010,193)	(55,483,157)	(52,804,973)
Net Capital Assets	77,973,399	78,300,447	33,572,624	33,335,778	111,546,023	111,636,225
Total Noncurrent Assets	78,838,023	79,566,076	35,581,976	35,551,814	114,419,999	115,117,890
Total Assets	101,829,244	101,254,088	45,488,424	44,946,438	147,317,668	146,200,526

DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on advance refunding of revenue bonds	11,874	24,827	-	-	11,874	24,827
Deferred outflows related to pension	1,137,005	618,357	284,257	154,594	1,421,262	772,951
Deferred outflows related to other postemployment benefits	235,493	189,282	58,855	47,309	294,348	236,591
Total Deferred Outflows of Resources	1,384,372	832,466	343,112	201,903	1,727,484	1,034,369
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	103,213,616	102,086,554	45,831,536	45,148,341	149,045,152	147,234,895

LIABILITIES

Current Liabilities						
Accounts payable	249,237	744,900	771,111	769,194	1,020,348	1,514,094
Accrued payroll	109,711	87,993	8,917	8,571	118,628	96,564
Accrued interest payable	35,374	37,694	-	-	35,374	37,694
Due to Sewer Utility - accrued interest payable	1,621	2,386	-	-	1,621	2,386
Due to Sewer Utility - advance	117,865	117,465	-	-	117,865	117,465
Due to Primary Government	1,870,271	1,459,444	-	-	1,870,271	1,459,444

See accompanying notes to financial statements.

Statements of Net Position

As of December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
Current Liabilities (continued)						
Unearned revenue	19,295	22,735	-	-	19,295	22,735
Compensated absences	40,561	42,373	-	-	40,561	42,373
Revenue bonds payable, net of unamortized premiums	684,333	675,863	-	-	684,333	675,863
Payable from restricted assets						
Revenue bonds payable	550,000	825,000	-	-	550,000	825,000
Accrued interest payable	21,205	22,996	-	-	21,205	22,996
Total Current Liabilities	3,699,473	4,038,849	780,028	777,765	4,479,501	4,816,614
Noncurrent Liabilities						
Net other postemployment benefits liability/obligation	2,055,000	2,230,637	513,749	557,579	2,568,749	2,788,216
Net pension liability	396,406	-	99,102	-	495,508	-
Pollution remediation obligation	2,295,600	1,614,507	-	-	2,295,600	1,614,507
Due to Sewer Utility - advance	1,980,754	2,098,619	-	-	1,980,754	2,098,619
Revenue bonds payable, net of unamortized premiums	14,541,210	15,775,542	-	-	14,541,210	15,775,542
Total Noncurrent Liabilities	21,268,970	21,719,305	612,851	557,579	21,881,821	22,276,884
TOTAL LIABILITIES	24,968,443	25,758,154	1,392,879	1,335,344	26,361,322	27,093,498
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	578,156	621,109	144,541	155,279	722,697	776,388
Deferred inflows related to other postemployment benefits	132,875	1,710	33,217	427	166,092	2,137
Total Deferred Inflows of Resources	711,031	622,819	177,758	155,706	888,789	778,525
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	25,679,474	26,380,973	1,570,637	1,491,050	27,250,111	27,872,023

See accompanying notes to financial statements.

OAK CREEK WATER AND SEWER UTILITY

Statements of Net Position

As of December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
NET POSITION						
Net investment in capital assets	62,179,713	60,516,255	33,540,001	33,257,239	95,719,714	93,773,494
Restricted						
Revenue bond redemption	45,833	68,750	-	-	45,833	68,750
Revenue bond reserve	763,961	811,056	-	-	763,961	811,056
Pension	-	325,534	-	81,384	-	406,918
Unrestricted	14,544,635	13,983,986	10,720,898	10,318,668	25,265,533	24,302,654
TOTAL NET POSITION	\$ 77,534,142	\$ 75,705,581	\$ 44,260,899	\$ 43,657,291	\$ 121,795,041	\$ 119,362,872

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
Operating Revenues						
Retail metered sales						
Residential	\$ 2,296,453	\$ 2,335,299	\$ 2,162,541	\$ 2,150,041	\$ 4,458,994	\$ 4,485,340
Commercial	1,853,665	1,840,121	1,466,898	1,434,572	3,320,563	3,274,693
Industrial	1,452,661	1,444,856	637,932	622,254	2,090,593	2,067,110
Public authority	64,907	66,199	43,870	43,456	108,777	109,655
Total retail metered sales	5,667,686	5,686,475	4,311,241	4,250,323	9,978,927	9,936,798
Sales for resale	3,488,294	3,422,276	-	-	3,488,294	3,422,276
Unmetered sales	25,734	16,593	-	-	25,734	16,593
Private fire protection	196,347	189,952	-	-	196,347	189,952
Public fire protection	1,227,984	1,216,171	-	-	1,227,984	1,216,171
Interest and penalties	67,601	72,242	48,152	49,353	115,753	121,595
Rents from water property	292,754	309,608	-	-	292,754	309,608
Uncollectible accounts	(13,845)	-	(14,715)	-	(28,560)	-
Miscellaneous	61,877	79,840	4,622	4,807	66,499	84,647
Total Operating Revenues	11,014,432	10,993,157	4,349,300	4,304,483	15,363,732	15,297,640
Operating Expenses						
Operation and maintenance expenses						
Sewer user charge - Milwaukee Metropolitan Sewerage District	-	-	2,824,908	2,757,233	2,824,908	2,757,233
Source of supply						
Operation	49,066	52,335	-	-	49,066	52,335
Maintenance	3,173	2,976	-	-	3,173	2,976
Total source of supply	52,239	55,311	-	-	52,239	55,311
Pumping						
Operation	627,041	623,221	3,310	3,037	630,351	626,258
Maintenance	203,801	228,008	13,655	13,484	217,456	241,492
Total pumping	830,842	851,229	16,965	16,521	847,807	867,750

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
Water treatment						
Operation	639,520	662,882	-	-	639,520	662,882
Maintenance	251,589	308,249	-	-	251,589	308,249
Pollution remediation	683,139	31,063	-	-	683,139	31,063
Total water treatment	1,574,248	1,002,194	-	-	1,574,248	1,002,194
Transmission and distribution						
Operation	584,410	544,610	-	-	584,410	544,610
Maintenance	293,145	225,343	-	-	293,145	225,343
Total transmission and distribution	877,555	769,953	-	-	877,555	769,953
Collection						
Operation	-	-	256,355	266,045	256,355	266,045
Maintenance	-	-	87,896	626,100	87,896	626,100
Total collection	-	-	344,251	892,145	344,251	892,145
Customer accounts						
Meter reading	10,968	10,027	10,084	9,966	21,052	19,993
Records and collection	110,193	105,097	56,954	53,236	167,147	158,333
Total customer accounts	121,161	115,124	67,038	63,202	188,199	178,326
Administration and general						
Operation	2,002,408	959,077	240,921	209,539	2,243,329	1,168,616
Maintenance	-	-	1,651	76	1,651	76
Pension and benefits	792,188	679,848	201,470	171,561	993,658	851,409
Other postemployment benefits	(90,683)	22,796	(22,586)	5,692	(113,269)	28,488
Total administration and general	2,703,913	1,661,721	421,456	386,868	3,125,369	2,048,589

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
Total operation and maintenance expenses	6,159,958	4,455,532	3,674,618	4,115,969	9,834,576	8,571,501
Amortization	3,199	-	-	-	3,199	-
Depreciation	2,566,441	2,517,822	554,528	552,791	3,120,969	3,070,613
Taxes	1,856,151	1,790,672	44,579	44,301	1,900,730	1,834,973
Total Operating Expenses	10,585,749	8,764,026	4,273,725	4,713,061	14,859,474	13,477,087
Operating Income (Loss)	428,683	2,229,131	75,575	(408,578)	504,258	1,820,553
Nonoperating Revenues (Expenses)						
Investment income	165,418	80,778	67,330	24,834	232,748	105,612
Interest income	337,091	239,720	113,742	94,941	450,833	334,661
Interest income - Water Utility	-	-	57,297	35,050	57,297	35,050
Loss from merchandising and jobbing	(2,445)	(2,670)	-	-	(2,445)	(2,670)
Interest expense	(491,049)	(524,766)	-	-	(491,049)	(524,766)
Interest expense - Sewer Utility	(57,297)	(35,050)	-	-	(57,297)	(35,050)
Amortization	(5,010)	458	-	-	(5,010)	458
Gain on sale of capital assets	18,580	-	-	-	18,580	-
Total Nonoperating Revenues (Expenses)	(34,712)	(241,530)	238,369	154,825	203,657	(86,705)
Income (Loss) Before Capital Contributions	393,971	1,987,601	313,944	(253,753)	707,915	1,733,848
Capital Contributions	1,434,590	1,865,252	289,664	885,311	1,724,254	2,750,563
CHANGE IN NET POSITION	1,828,561	3,852,853	603,608	631,558	2,432,169	4,484,411
Net Position - Beginning of Year	75,705,581	72,985,027	43,657,291	43,308,746	119,362,872	116,293,773
Cumulative Effect of a Change in Accounting Principle	-	(1,132,299)	-	(283,013)	-	(1,415,312)
Net Position - End of Year	\$ 77,534,142	\$ 75,705,581	\$ 44,260,899	\$ 43,657,291	\$ 121,795,041	\$ 119,362,872

See accompanying notes to financial statements.

OAK CREEK WATER AND SEWER UTILITY

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
Cash Flows From Operating Activities						
Received from customers	\$ 10,661,486	\$ 10,565,665	\$ 4,350,979	\$ 4,243,975	\$ 15,012,465	\$ 14,809,640
Received from rents of water property	319,914	309,055	-	-	319,914	309,055
Paid for refund of rents of water property	(30,600)	-	-	-	(30,600)	-
Received for nonoperating activities	40,437	41,304	-	-	40,437	41,304
Paid for nonoperating activities	(42,742)	(37,453)	-	-	(42,742)	(37,453)
Received from other miscellaneous sources	102,141	79,840	4,587	4,747	106,728	84,587
Paid to Milwaukee Metropolitan Sewerage District for sewer user charges	-	-	(2,813,307)	(2,743,685)	(2,813,307)	(2,743,685)
Paid to Primary Government for tax equivalent	(1,661,921)	(1,663,327)	-	-	(1,661,921)	(1,663,327)
Paid to suppliers for goods and services	(2,121,451)	(2,776,663)	(395,451)	(963,976)	(2,516,902)	(3,740,639)
Paid to employees for operating payroll	(1,693,932)	(1,702,686)	(418,920)	(431,478)	(2,112,852)	(2,134,164)
Net Cash Flows From Operating Activities	5,573,332	4,815,735	727,888	109,583	6,301,220	4,925,318
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(3,213,032)	(1,122,497)	(513,296)	(54,471)	(3,726,328)	(1,176,968)
Proceeds received for acquisition and construction of capital assets	473,257	56,550	55,726	58,710	528,983	115,260
Proceeds received from salvage on capital assets	19,878	225	-	-	19,878	225
Cost of removal	(36,016)	(4,762)	(50,507)	-	(86,523)	(4,762)
Special assessment proceeds	64,949	80,695	9,347	26,068	74,296	106,763
Connection fees received	-	2,820	7,520	5,640	7,520	8,460
Principal payment to Sewer Utility - advance	(117,465)	(117,067)	-	-	(117,465)	(117,067)
Debt retired	(1,492,919)	(1,454,289)	-	-	(1,492,919)	(1,454,289)
Interest paid to Sewer Utility - advance	(58,062)	(34,064)	-	-	(58,062)	(34,064)
Interest paid	(495,160)	(528,684)	-	-	(495,160)	(528,684)
Net Cash Flows From Capital and Related Financing Activities	(4,854,570)	(3,121,073)	(491,210)	35,947	(5,345,780)	(3,085,126)

See accompanying notes to financial statements.

OAK CREEK WATER AND SEWER UTILITY

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
Cash Flows From Noncapital and Related Financing Activities						
Principal received from Water Utility - advance	-	-	117,465	117,067	117,465	117,067
Net Cash Flows From Noncapital and Related Financing Activities	-	-	117,465	117,067	117,465	117,067
Cash Flows From Investing Activities						
Purchase of investments	(1,396,514)	(3,582,279)	(1,106,537)	(1,233,278)	(2,503,051)	(4,815,557)
Proceeds from sale of investments	3,782,284	4,168,589	931,010	1,082,147	4,713,294	5,250,736
Interest received from Water Utility - advance	-	-	58,062	34,064	58,062	34,064
Interest received	339,296	241,592	114,276	95,576	453,572	337,168
Net Cash Flows From Investing Activities	2,725,066	827,902	(3,189)	(21,491)	2,721,877	806,411
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,443,828	2,522,564	350,954	241,106	3,794,782	2,763,670
Cash and Cash Equivalents - Beginning of Year	14,306,247	11,783,683	6,183,445	5,942,339	20,489,692	17,726,022
Cash and Cash Equivalents - End of Year	\$ 17,750,075	\$ 14,306,247	\$ 6,534,399	\$ 6,183,445	\$ 24,284,474	\$ 20,489,692

See accompanying notes to financial statements.

OAK CREEK WATER AND SEWER UTILITY

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
<i>(continued)</i>						
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities						
Operating income (loss)	\$ 428,683	\$ 2,229,131	\$ 75,575	\$ (408,578)	\$ 504,258	\$ 1,820,553
Nonoperating loss	(2,445)	(2,670)	-	-	(2,445)	(2,670)
Noncash items included in operating income						
Uncollectible accounts written off	13,845	-	14,715	-	28,560	-
Amortization	3,199	-	-	-	3,199	-
Depreciation	2,566,441	2,517,822	554,528	552,791	3,120,969	3,070,613
Depreciation charged to clearing and other utilities	73,660	76,492	(46,886)	(45,986)	26,774	30,506
Gain on sale of transportation equipment	(1,298)	-	-	-	(1,298)	-
Changes in assets and liabilities						
Customer accounts receivable	(36,334)	(24,844)	(17,946)	(46,609)	(54,280)	(71,453)
Other accounts receivable	43,063	(36,218)	(35)	502	43,028	(35,716)
Inventory	(7,174)	10,555	-	-	(7,174)	10,555
Pension	160,339	31,794	40,085	7,950	200,424	39,744
Due from Primary Government	-	-	82,259	(8,603)	82,259	(8,603)
Construction in progress - discontinued project	1,347,829	-	-	-	1,347,829	-
Accounts payable	3,791	(34,411)	47,593	50,752	51,384	16,341
Accrued expenses	23,049	5,357	586	1,673	23,635	7,030
Pollution remediation obligation	681,093	25,303	-	-	681,093	25,303
Net other postemployment benefits liability/obligation	(90,683)	22,796	(22,586)	5,691	(113,269)	28,487
Due to Primary Government	369,714	(4,819)	-	-	369,714	(4,819)
Unearned revenue	(3,440)	(553)	-	-	(3,440)	(553)
Net Cash Flows From Operating Activities	\$ 5,573,332	\$ 4,815,735	\$ 727,888	\$ 109,583	\$ 6,301,220	\$ 4,925,318

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	WATER UTILITY		SEWER UTILITY		TOTALS	
	2019	2018	2019	2018	2019	2018
	\$ 17,750,075	\$ 14,306,247	\$ 6,534,399	\$ 6,183,445	\$ 24,284,474	\$ 20,489,692
	2,543,650	4,692,199	2,249,788	2,006,931	4,793,438	6,699,130
	67,038	91,746	-	-	67,038	91,746
	763,961	811,056	-	-	763,961	811,056
	21,124,724	19,901,248	8,784,187	8,190,376	29,908,911	28,091,624
	(3,374,649)	(5,595,001)	(2,249,788)	(2,006,931)	(5,624,437)	(7,601,932)
	\$ 17,750,075	\$ 14,306,247	\$ 6,534,399	\$ 6,183,445	\$ 24,284,474	\$ 20,489,692

(continued)

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Cash and cash equivalents	
Investments	
Restricted assets - current	
Restricted assets - noncurrent	
Total Cash, Investments and Restricted Assets	
Less: Noncash Equivalents	

Total Cash and Cash Equivalents

Noncash Investment and Capital and Related Financing Activities

Income earned on noncash equivalents	
Market value adjustment on noncash equivalents	
Cost of capital assets installed and/or financed by the primary government and developers	
Cost of capital assets financed by assessments of benefits to property owners	

See accompanying notes to financial statements.

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oak Creek Water and Sewer Utility (Utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the Utility are described below:

Reporting Entity

The Utility accounts for its operations as two separate enterprise funds including the Water Utility and the Sewer Utility. Both funds are managed by the Water and Sewer Utility Commission (Commission). The Utility and Commission were created by City of Oak Creek (Municipality, Primary Government or City) ordinances in 1960. The Commission provides nonpartisan management to the Utility pursuant to Chapter 66 of the Wisconsin Statutes and is appointed to five-year, non-concurrent terms. The Utility encompasses all water supply, transmission operations and sewer collection operations within the Municipality. In addition, the Utility provides water to certain areas outside the Municipality.

The Water Utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The Sewer Utility operates under rules and rates established by the Commission. Wastewater is treated per agreement by Milwaukee Metropolitan Sewerage District.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Utility is presented as enterprise funds of the Municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of

revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This standard was implemented January 1, 2018. The cumulative impact of implementation is shown in Note 20.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes requirements for interest cost incurred before the end of a construction period. The Utility adopted this statement effective January 1, 2018.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The Utility adopted this statement effective January 1, 2019.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Investment of Utility funds is restricted by state statutes. Investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association, maturing 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, a local professional baseball park district, the University of Wisconsin Hospitals and Clinics Authority, or by Wisconsin Aerospace 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 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 are stated 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 methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair market values may have changed significantly after year-end.

Receivables and Payables

Transactions between the Utility and other funds of the Primary Government that are representative of lending/borrowing arrangements outstanding at year-end are referred to as advances to/from the Primary Government. Transactions between the Water Utility and Sewer Utility that are also representative of lending/borrowing arrangements outstanding at year-end are referred to as advances to/from the Water or Sewer Utility. All other outstanding balances between the Utility and other funds of the Primary Government are reported as due to/from Primary Government.

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

Inventory

Inventories are generally used for construction, operation and maintenance work rather than for resale. They are valued at cost and charged to construction or expense when used.

Restricted Assets

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

Capital Assets

Capital assets are generally defined by the Utility as assets with an initial, individual cost of more than

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

\$5,000 and an estimated useful life in excess of one year.

Capital assets of the Utility are recorded at cost or the acquisition value at the time of contribution to the Utility. Major outlays for Utility plant are capitalized as projects are constructed. Capital assets in service are depreciated using the straight-line method over the estimated useful lives of the related assets. Asset impairments are recognized and recorded in accordance with Statement No. 42 of the Governmental Accounting Standards Board.

A summary of the Utility's capital assets and their estimated useful lives is as follows:

	December 31		Useful
	2019	2018	Lives in
			Years
Water Plant			
Source of supply plant	\$ 7,064,286	\$ 7,064,286	34 - 60
Pumping plant	9,017,117	8,879,824	22 - 32
Water treatment plant	25,423,116	25,285,960	30 - 32
Transmission and distribution plant	74,431,070	70,825,069	18 - 77
General plant	4,938,502	4,845,209	3 - 35
Total Water Plant	120,874,091	116,900,348	
Sewer Plant			
Collecting system plant	45,074,127	44,489,071	17 - 100
Collecting system pumping plant	242,170	242,170	16 - 25
General plant	604,254	606,785	3 - 16
Total Sewer Plant	45,920,551	45,338,026	
Total Enterprise Fund			
Capital Assets	\$ 166,794,642	\$ 162,238,374	

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Compensated Absences

Vested or accumulated paid time off is recorded as an expense and liability as this benefit accrues to employees in accordance with the provisions of

Statement No. 16 of the Governmental Accounting Standards Board.

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 the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

The Utility's postemployment benefits related to health care are not administered through a trust meeting the requirements of GASB Statement No. 75. As such, the total OPEB liability, related deferred outflows of resources, deferred inflows of resources and OPEB expense have been determined by an actuarial study in compliance with GASB Statement No. 75.

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 LRLIFs 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.

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Long-Term Obligations

Long-term debt and other obligations are reported as Utility liabilities. Debt issuance costs are expensed in the year incurred. Bond discounts and premiums are amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the straight line method. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the Statements of Net Position, whereas the balance at year-end for the loss on refunding of debt is shown as a deferred outflow in the Statement of Net Position.

Pollution Remediation Obligations

As of December 31, 2019, the Utility was obligated to address the future pollution cleanup activities at its water treatment plant site due to Federal and State laws and regulations. The Utility's obligation originated in the year 2015 to address the pollution remediation because the government unit has been determined to be the responsible party which compels the Utility to participate in remediation. Examples of expected future remediation activity costs include legal services, site investigation and required post-remediation monitoring costs. The amount reported as a pollution remediation obligation represents the current value of the expected cash flows to be paid for these activities. Any expected recoveries would be treated separately as a receivable when such reimbursements become measurable. As of December 31, 2019, and 2018, the obligation was \$2,295,600 and \$1,614,507, respectively, with no related receivable. The Utility will recognize these liabilities and related expenses as an operating expense in the financial statements only when such costs become measurable. Because of this, the liability is subject to change as the Utility becomes aware of new information which may affect its estimate. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

Deferred Inflows of Resources

A deferred inflow of resources represents an addition to net position that applies to a future period and will

not be recognized as an inflow or resources (revenue) until that future time.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Utility billings are rendered and recorded monthly based on metered usage. The Utility also accrues revenues beyond billing dates.

Taxes

The Utility is exempt from federal and state income taxes. Taxes paid by the Utility include the employer's share of social security and medicare, PSCW remainder assessment and tax equivalent. The tax equivalent is an annual payment in lieu of taxes expense paid to the Primary Government, which is based on the value of the Utility's plant, the current assessment ratio and the local and school portions of the mill rate. These taxes are reflected as operating expenses on the statement of revenues, expenses and changes in net position.

Capital Contributions

Cash and capital assets are contributed to the Utility from customers, developers, granting agencies, the Municipality, or other external parties. The value of property contributed to the Utility is reported as revenue on the statement of revenues, expenses and changes in net position.

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Comparative Data

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Effect of New Accounting Standards on Current Period Financial Statements

The GASB has approved Statement No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus*, Statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. When they become effective, application of these standards may restate portions of these financial statements.

These statements listed above, through Statement No. 93, had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one-and-a-half years.

NOTE 2 – DEPOSITS AND INVESTMENTS

At year-end, the Utility's carrying balances were as follows:

	2019	2018	Associated Risks
Demand deposits	\$ 2,924,856	\$ 2,072,833	Custodial Credit
U.S. Treasuries	2,337,228	3,515,567	Custodial Credit, Interest
U.S. Agencies	127,151	125,617	Custodial Credit, Credit, Interest, Concentration of Credit
Securitized notes	542,878	1,160,966	Custodial Credit, Credit, Interest, Concentration of Credit
Corporate bonds	2,355,733	2,642,710	Custodial Credit, Credit, Interest, Concentration of Credit
Certificates of deposit	75,304	150,375	Custodial Credit, Credit, Interest
Government money market	186,143	6,697	Credit, Interest

(continued)	2019	2018	Associated Risks
Local Government			
Investment Pool	21,359,368	18,416,609	Credit
Petty cash	250	250	N/A
Total Cash and Investments	\$ 29,908,911	\$ 28,091,624	
Reconciliation of carrying balances to Statement of Net Position:			
Cash and cash equivalents	\$ 24,284,474	\$ 20,489,692	
Investments	4,793,438	6,699,130	
Revenue bond redemption account	67,038	91,746	
Revenue bond reserve account	763,961	811,056	
Total Cash and Investments	\$ 29,908,911	\$ 28,091,624	

Demand deposit accounts (interest and noninterest bearing), are insured by the Federal Deposit Insurance Corporation (FDIC) for a total of \$250,000 as of December 31, 2019 and 2018. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. In addition, the Utility has an agreement with JPMorgan Chase Bank, N.A. where deposits and investments, in excess of insured amounts, are collateralized by an undivided security interest in a pool of assets owned by JPMorgan Chase Bank, N.A. for the Utility and other public depositors. This collateral is held in the Utility's name. The fair values of collateral held at December 31, 2019 and 2018 are in the amounts of \$2,780,833 and \$1,974,405, respectively.

The Utility's investment portfolio is maintained with BMO Harris Bank N.A., Milwaukee, and is held by their trust department in the Utility's name.

The Utility, as enterprise funds of the Municipality, may maintain separate cash and investment accounts at the same financial institutions utilized by the Municipality. 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

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Utility alone. Therefore, coverage for the Utility may be reduced. Investment income on commingled investments of the entire Municipality is allocated based on average investment balances. Please refer to the Municipality's financial statements for categorization of custodial credit risk on all municipal accounts.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. The weighted average maturity of the LGIP is 16 and 20 days, respectively, for the years 2019 and 2018. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2019 and 2018, the fair values of the LGIP's assets were substantially equal to the Utility's share as reported above.

The Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring methods fair value measurements are as follows:

Investment Type	2019	2018	Method
U.S. Treasuries	\$ 2,337,228	\$ 3,515,567	Level 2
U.S. Agencies	127,151	125,617	Level 2
Securitized Notes	542,878	1,160,966	Level 2
Corporate Bonds	2,355,733	2,642,710	Level 2
Certificates of Deposit	75,304	150,375	Level 2
Government Money			
Market	186,143	6,697	Level 2
Totals	<u>\$ 5,624,437</u>	<u>\$ 7,601,932</u>	

The investments classified in Level 2 of the fair value hierarchy are valued using the market approach. The market approach used in the valuation of these investments is through pricing techniques as provided by Interactive Data.

Custodial Credit Risk

Deposits

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 to the Utility.

As of December 31, 2019 and 2018, \$0 of the Utility's bank balances were known to be individually exposed to custodial credit risk. The Utility's investment policy does not address this risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Utility had no custodial credit risk with regards to investments in 2019 and 2018, since all investments were held by BMO Harris Bank N.A., Milwaukee's trust department, in the Utility's name.

The Utility's investment policy does not address this risk.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2019 the Utility's investments were rated as follows:

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Investment Type	Standard & Poor's	Moody's	Fitch
U.S. Agencies	AA+	Aaa	AAA
Securitized Notes	AA+ - AAA	Aaa	AAA
Corporate Bonds	A+ - AAA	A1 - Aaa	A - AA+
Certificates of deposit	Aa2	A+	N/A
Government Money			
Market	AAA	Aaa	N/A

As of December 31, 2018 the Utility's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's	Fitch
U.S. Agencies	AA+	Aaa	AAA
Securitized Notes	AA+ - AAA	Aaa	AAA
Corporate Bonds	A - AAA	A1 - Aaa	A - AAA
Certificates of deposit	A+ - AA-	Aa2 - Aa3	N/A
Government Money			
Market	AAA	Aaa	N/A

The Utility held \$21,359,368 in 2019 and \$18,416,609 in 2018 of investments in the Local Government Investment Pool, which is an external pool that is not rated.

The Utility's investment policy does not address this risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2019 and 2018, the Utility's investment portfolio contained no significant concentration in any one single issuer.

The Utility's investment policy does not address this risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2019 the Utility's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less Than 1 Year	1 - 10 Years
U.S. Treasuries	\$ 2,337,228	\$ 893,225	\$ 1,444,003
U.S. Agencies	127,151	-	127,151
Securitized Notes	542,878	481,477	61,401
Corporate Bonds	2,355,733	784,362	1,571,371
Certificates of Deposit	75,304	75,304	-
Government Money			
Market	186,143	186,143	-
Totals	\$ 5,624,437	\$ 2,420,511	\$ 3,203,926

As of December 31, 2018 the Utility's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less Than 1 Year	1 - 10 Years
U.S. Treasuries	\$ 3,515,567	\$ 1,034,944	\$ 2,480,623
U.S. Agencies	125,617	-	125,617
Securitized Notes	1,160,966	604,911	556,055
Corporate Bonds	2,642,710	334,906	2,307,804
Certificates of Deposit	150,375	75,127	75,248
Government Money			
Market	6,697	6,697	-
Totals	\$ 7,601,932	\$ 2,056,585	\$ 5,545,347

The Utility's investment policy does not address this risk.

NOTE 3 – DUE FROM/TO PRIMARY GOVERNMENT

The following schedule summarizes the Utility's "Due From and To Primary Government" balances as of December 31, 2019 and 2018:

	2019	2018
Water		
Due from Primary Government:		
Delinquent accounts transferred to tax roll	\$ 245,984	\$ 270,157

OAK CREEK WATER AND SEWER UTILITY

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

(continued)

	2019	2018
Water		
Inspection charges	3,162	5,497
Locating municipal services	2,359	2,499
Special assessments	33,804	72,583
Subtotal	285,309	350,736
Due to Primary Government:		
Tax equivalent	(1,730,567)	(1,661,921)
Goods and services	(425,013)	(148,259)
Subtotal	(2,155,580)	(1,810,180)
Net Due to Primary Government	\$ (1,870,271)	\$ (1,459,444)
Sewer		
Due from Primary Government:		
Delinquent accounts transferred to tax roll	\$ 178,258	\$ 187,790
Inspection charges	6,127	7,739
Storm water monitoring	2,317	2,206
Special assessments	11,387	12,404
Subtotal	198,089	210,139
Due to Primary Government:		
Goods and services	(110,787)	(37,949)
Subtotal	(110,787)	(37,949)
Net Due from Primary Government	\$ 87,302	\$ 172,190

NOTE 4 – INTERFUND ADVANCES

The Sewer Utility advanced \$2,500,000 to the Water Utility, dated December 15, 2013, for various construction projects. This advance will be repaid through annual installment payments of principal and interest through December 15, 2028. The annual interest rate was initially set by the Commission at .34% and is variable thereafter based on the LGIP rate. Effective December 15, 2019, the Commission approved 1.88% as the interest rate on this advance.

The following schedules summarize the Utility's interfund advance activity for the year ended December 31, 2019:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19	Due Within One Year
Water					
Due to Sewer Utility - advance	\$ 2,216,084	\$ -	\$ 117,465	\$ 2,098,619	\$ 117,865
Due to Sewer Utility - accrued interest payable	2,386	57,297	58,062	1,621	1,621
Totals	\$ 2,218,470	\$ 57,297	\$ 175,527	\$ 2,100,240	\$ 119,486
Sewer					
Due from Water Utility - advance	\$ 2,216,084	\$ -	\$ 117,465	\$ 2,098,619	\$ 117,865
Due from Water Utility - accrued interest receivable	2,386	57,297	58,062	1,621	1,621
Totals	\$ 2,218,470	\$ 57,297	\$ 175,527	\$ 2,100,240	\$ 119,486

The following schedules summarize the Utility's interfund advance activity for the year ended December 31, 2018:

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18	Due Within One Year
Water					
Due to Sewer Utility - advance	\$ 2,333,151	\$ -	\$ 117,067	\$ 2,216,084	\$ 117,465
Due to Sewer Utility - accrued interest payable	1,400	35,050	34,064	2,386	2,386
Totals	\$ 2,334,551	\$ 35,050	\$ 151,131	\$ 2,218,470	\$ 119,851
Sewer					
Due from Water Utility - advance	\$ 2,333,151	\$ -	\$ 117,067	\$ 2,216,084	\$ 117,465
Due from Water Utility - accrued interest receivable	1,400	35,050	34,064	2,386	2,386
Totals	\$ 2,334,551	\$ 35,050	\$ 151,131	\$ 2,218,470	\$ 119,851

The Utility's interfund loan repayment schedule to maturity is as follows:

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Year Ending December 31	Principal	Interest	Total
2020	\$ 117,865	\$ 39,454	\$ 157,319
2021	193,265	37,238	230,503
2022	218,923	33,605	252,528
2023	219,667	29,489	249,156
2024	220,414	25,359	245,773
2025	271,163	21,216	292,379
2026	297,085	16,118	313,203
2027	298,095	10,532	308,627
2028	262,142	4,928	267,070
Totals	<u>\$ 2,098,619</u>	<u>\$ 217,939</u>	<u>\$ 2,316,558</u>

NOTE 5 – RESTRICTED ASSETS

Certain proceeds of the Utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. The following revenue bond accounts are reported as restricted assets:

- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.

The Utility's proportionate share of the WRS pension plan's net assets is reported as restricted assets as follows:

- Net Pension Asset – Used to report net pension assets set aside for WRS funding only.

The following calculation supports the amounts shown as restricted net position:

	2019	2018
Water		
Revenue bond redemption:		
Current restricted assets	\$ 67,038	\$ 91,746
Current liabilities payable from restricted assets	(21,205)	(22,996)
Total Revenue Bond		
Redemption Net Position	<u>45,833</u>	<u>68,750</u>
Revenue bond reserve:		
Noncurrent restricted assets	<u>763,961</u>	<u>811,056</u>
Net pension asset:		
Noncurrent restricted assets	<u>-</u>	<u>325,534</u>
Total Restricted Net Position	<u>\$ 809,794</u>	<u>\$ 1,205,340</u>

NOTE 6 – LEASES

The Utility has entered into operating leases with Verizon Wireless (VW), Sprint Spectrum L.P. (SSLP), Cingular Wireless (CW) and Crown Castle (CC) for space on Utility reservoirs to be used for cellular antennas. These leases terminate on November 30, 2020 (VW), March 20, 2022 (SSLP), March 1, 2020 (CW), February 26, 2021 (CC), January 24, 2023 (CC) and January 31, 2028 (CW). Minimum future lease rentals are as follows:

2020	\$ 275,133	2025	\$ 77,413
2021	139,285	2026	81,283
2022	110,788	2027	85,347
2023	72,529	2028	7,278
2024	73,726		

NOTE 7 – SPECIAL ASSESSMENTS

The Municipality collects special assessments on behalf of the Utility and generally transfers the funds to the Utility in the year following the collection. The Utility's remaining current portion of special assessments receivable is reflected in the Due From/To Primary Government balance.

OAK CREEK WATER AND SEWER UTILITY

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

NOTE 8 – CHANGES IN CAPITAL ASSETS

A summary of changes in the Water Utility's capital assets for 2019 and 2018 follows:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
2019				
Capital assets not being depreciated/amortized				
Land and land rights	\$ 242,750	\$ -	\$ -	\$ 242,750
Capital assets being depreciated/amortized				
Source of supply	7,056,575	-	-	7,056,575
Pumping	8,861,215	146,744	9,452	8,998,507
Water treatment	25,116,804	198,957	61,801	25,253,960
Transmission and distribution	70,797,512	3,807,534	201,532	74,403,514
Intangible	-	69,544	-	69,544
General	4,825,492	124,878	101,129	4,849,241
Total capital assets being depreciated/amortized	116,657,598	4,347,657	373,914	120,631,341
Total Capital Assets	116,900,348	4,347,657	373,914	120,874,091
Less: Accumulated depreciation/amortization				
Source of supply	2,498,711	121,346	-	2,620,057
Pumping	4,857,662	361,214	9,452	5,209,424
Water treatment	11,905,110	789,420	61,801	12,632,729
Transmission and distribution	18,384,103	1,203,243	201,532	19,385,814
Intangible	-	3,199	-	3,199
General	3,149,194	128,862	101,129	3,176,927
Total accumulated depreciation/amortization	40,794,780	2,607,284	373,914	43,028,150
Construction in progress	2,194,879	2,150,076	4,217,497	127,458
Net Capital Assets	\$ 78,300,447	\$ 3,890,449	\$ 4,217,497	\$ 77,973,399
	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
2018				
Capital assets, not being depreciated				
Land and land rights	\$ 242,750	\$ -	\$ -	\$ 242,750

(continued)

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
2018				
Capital assets being depreciated				
Source of supply	7,056,575	-	-	7,056,575
Pumping	8,873,111	13,550	25,446	8,861,215
Water treatment	24,947,029	184,220	14,445	25,116,804
Transmission and distribution	68,911,493	2,003,352	117,333	70,797,512
General	4,864,166	4,830	43,504	4,825,492
Total capital assets being depreciated	114,652,374	2,205,952	200,728	116,657,598
Total Capital Assets	114,895,124	2,205,952	200,728	116,900,348
Less: Accumulated depreciation				
Source of supply	2,377,365	121,346	-	2,498,711
Pumping	4,523,809	359,299	25,446	4,857,662
Water treatment	11,105,724	813,831	14,445	11,905,110
Transmission and distribution	17,338,769	1,162,667	117,333	18,384,103
General	3,060,064	132,634	43,504	3,149,194
Total accumulated depreciation	38,405,731	2,589,777	200,728	40,794,780
Construction in progress	1,375,093	2,895,701	2,075,915	2,194,879
Net Capital Assets	\$ 77,864,486	\$ 2,511,876	\$ 2,075,915	\$ 78,300,447

A summary of changes in the Sewer Utility's capital assets for 2019 and 2018 follows:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
2019				
Capital assets not being depreciated/amortized				
Land and land rights	\$ 13,145	\$ -	\$ -	\$ 13,145
Intangible	-	16,175	-	16,175
Total capital assets not being depreciated/amortized	13,145	16,175	-	29,320
Capital assets being depreciated				
Collecting system	44,475,926	575,472	6,591	45,044,807
Collecting system pumping	242,170	-	-	242,170

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

<i>(continued)</i>	Balance			Balance
	01/01/19	Increases	Decreases	12/31/19
2019				
General	606,785	-	2,531	604,254
Total capital assets being depreciated	45,324,881	575,472	9,122	45,891,231
Total Capital Assets	45,338,026	591,647	9,122	45,920,551
Less: Accumulated depreciation				
Collecting system	11,338,808	414,723	6,591	11,746,940
Collecting system pumping	241,810	360	-	242,170
General	429,575	42,052	2,531	469,096
Total accumulated depreciation	12,010,193	457,135	9,122	12,458,206
Construction in progress	7,945	677,805	575,471	110,279
Net Capital Assets	\$ 33,335,778	\$ 812,317	\$ 575,471	\$ 33,572,624
	Balance			Balance
	01/01/18	Increases	Decreases	12/31/18
2018				
Capital assets, not being depreciated				
Land and land rights	\$ 13,145	\$ -	\$ -	\$ 13,145
Capital assets being depreciated				
Collecting system	43,748,967	965,524	238,565	44,475,926
Collecting system pumping	242,170	-	-	242,170
General	611,370	2,069	6,654	606,785
Total capital assets being depreciated	44,602,507	967,593	245,219	45,324,881
Total Capital Assets	44,615,652	967,593	245,219	45,338,026
Less: Accumulated depreciation				
Collecting system	11,118,728	458,645	238,565	11,338,808
Collecting system pumping	239,799	2,011	-	241,810
General	390,080	46,149	6,654	429,575
Total accumulated depreciation	11,748,607	506,805	245,219	12,010,193
Construction in progress	11,845	963,693	967,593	7,945
Net Capital Assets	\$ 32,878,890	\$ 1,424,481	\$ 967,593	\$ 33,335,778

Decreases in accumulated depreciation include capital asset retirements. Increases in accumulated depreciation include depreciation expense, salvage values, cost of removal, losses on capital asset retirements and gains on the sale of capital assets. The following schedules reconcile increases in total accumulated depreciation from the tables above to depreciation expense, as shown in the Statements of Revenues, Expenses and Changes in Net Position for 2019 and 2018:

	2019	2018
Water		
Increases in accumulated depreciation/ amortization	\$ 2,607,284	\$ 2,589,777
Transfers and adjustments	19,878	-
Cost of removal	36,016	4,762
Salvage	(19,878)	(225)
Depreciation charged to Sewer Utility for share of meters	(46,886)	(45,986)
Depreciation charged to clearing for transportation equipment	(26,774)	(30,506)
Depreciation/Amortization Expense	\$ 2,569,640	\$ 2,517,822
Amortization expense	\$ 3,199	\$ -
Depreciation expense	2,566,441	2,517,822
Total Depreciation/Amortization Expense	\$ 2,569,640	\$ 2,517,822
Sewer		
Increases in accumulated depreciation	\$ 457,135	\$ 506,805
Cost of removal	\$ 50,507	\$ -
Depreciation charged from Water Utility for share of meters	46,886	45,986
Depreciation Expense	\$ 554,528	\$ 552,791

NOTE 9 – LONG-TERM DEBT

Long-Term Obligations Summary

Long-term obligation activity for the Water Utility for the years ended December 31, 2019 and 2018 is as follows:

	Balance			Balance	Due Within
	01/01/19	Increases	Decreases	12/31/19	One Year
2019					
Revenue bonds	\$ 17,265,966	\$ -	\$ 1,492,919	\$ 15,773,047	\$ 1,231,837
Unamortized premiums	10,439	-	7,943	2,496	2,496

OAK CREEK WATER AND SEWER UTILITY

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

(continued)	Balance			Balance	Due Within
	01/01/19	Increases	Decreases	12/31/19	One Year
2019					
Pollution remediation obligation	1,614,507	683,139	2,046	2,295,600	-
Totals	\$ 18,890,912	\$ 683,139	\$ 1,502,908	\$ 18,071,143	\$ 1,234,333
	Balance			Balance	Due Within
	01/01/18	Increases	Decreases	12/31/18	One Year
2018					
Revenue bonds	\$ 18,720,255	\$ -	\$ 1,454,289	\$ 17,265,966	\$ 1,492,920
Unamortized premiums	23,850	-	13,411	10,439	7,943
Pollution remediation obligation	1,589,204	31,063	5,760	1,614,507	-
Totals	\$ 20,333,309	\$ 31,063	\$ 1,473,460	\$ 18,890,912	\$ 1,500,863

In addition to the liabilities shown above, information on the net pension liability (asset) for water and sewer is provided in Note 11. Information on the net OPEB liability/obligation for water and sewer is provided in Notes 12 and 13.

Revenue Bonds – Water

The following bonds have been issued:

	Outstanding Amounts as of	
	December 31,	
	2019	2018
\$791,863 dated January 13, 2010 for water construction, due annually through May 1, 2029; interest at 2.668%	\$ 465,681	\$ 505,856
\$6,500,000 dated March 15, 2011 for water treatment plant construction, due annually through December 1, 2031; interest at 2.25% - 5.00%	5,200,000	5,450,000
\$5,889,583 dated November 23, 2011 for water treatment plant construction, due annually through May 1, 2031; interest at 2.20%	3,835,750	4,112,453
\$2,594,795 dated May 22, 2013 for water treatment plant standby generation, due annually through May 1, 2033; interest at 1.925%	1,917,360	2,035,715
\$4,850,988 dated May 28, 2014 for water main replacements, due annually through May 1, 2034; interest at 1.925%	4,079,256	4,311,942

(continued)	Outstanding Amounts as of	
	December 31,	
	2019	2018
\$3,850,000 dated November 17, 2015 for refunding of water revenue bonds, due annually through December 1, 2020; interest at 2.00%	275,000	850,000

Revenue bonds debt service requirements to maturity follows:

Year Ending	Principal	Interest	Total
December 31			
Bonds			
2020	\$ 550,000	\$ 254,456	\$ 804,456
2021	350,000	237,956	587,956
2022	350,000	223,956	573,956
2023	375,000	208,906	583,906
2024	400,000	192,500	592,500
2025	400,000	172,500	572,500
2026	425,000	152,500	577,500
2027	450,000	131,250	581,250
2028	475,000	108,750	583,750
2029	500,000	85,000	585,000
2030	575,000	60,000	635,000
2031	625,000	31,250	656,250
Subtotals	\$ 5,475,000	\$ 1,859,024	\$ 7,334,024
Direct Placement			
2020	\$ 681,837	\$ 205,141	\$ 886,978
2021	696,046	190,782	886,828
2022	710,554	176,121	886,675
2023	725,368	161,152	886,520
2024	740,493	145,868	886,361
2025	755,936	130,262	886,198
2026	771,705	114,327	886,032
2027	787,805	98,057	885,862
2028	804,244	81,445	885,689
2029	821,030	64,483	885,513
2030	784,498	47,879	832,377
2031	800,566	31,645	832,211
2032	449,789	19,117	468,906
2033	458,447	10,375	468,822
2034	309,729	2,981	312,710
Subtotals	\$ 10,298,047	\$ 1,479,635	\$ 11,777,682
Totals	\$ 15,773,047	\$ 3,338,659	\$ 19,111,706

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

All Water Utility revenues, net of specified operating expenses, are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2019 and 2018 were \$1,988,079 and \$1,982,973 respectively. Total customer net revenues as defined for the same periods were \$5,249,979 and \$6,729,830. Annual principal and interest payments are expected to require 24% of net revenues, on average.

The following schedule reconciles revenue bonds payable, net of unamortized premiums, as shown in the Statements of Net Position for 2019 and 2018:

	2019	2018
Water		
Current:		
Revenue bonds payable, gross	\$ 681,837	\$ 667,920
Unamortized premiums	2,496	7,943
Revenue bonds payable, net of unamortized premiums	<u>\$ 684,333</u>	<u>\$ 675,863</u>
Noncurrent:		
Revenue bonds payable, gross	\$ 14,541,210	\$ 15,773,046
Unamortized premiums	-	2,496
Revenue bonds payable, net of unamortized premiums	<u>\$ 14,541,210</u>	<u>\$ 15,775,542</u>

The Water Utility's outstanding revenue bonds from direct borrowings and/or direct placements related to business-type activities of \$10,298,047 do not contain any default or termination provisions that could result in possible finance-related consequences.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the Utility's revenue bonds:

Insurance

See Note 17 *Risk Management and Insurance*.

Debt Coverage

Under terms of the resolutions providing for the issuance of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service based on the bond year. The coverage

requirement is calculated based on the subsequent year's debt service and is met as follows:

	2019	2018
Water		
Operating revenues	\$ 11,014,432	\$ 10,993,157
Interest and Investment income	502,509	320,498
Other income	18,580	458
Less:		
Operations and maintenance expenses	(6,159,958)	(4,455,532)
Taxes other than tax equivalent	(125,584)	(128,751)
Net Defined Earnings	<u>\$ 5,249,979</u>	<u>\$ 6,729,830</u>
Debt service:		
Principal	\$ 1,231,837	\$ 1,492,920
Interest	459,597	495,160
Total	<u>1,691,434</u>	<u>1,988,080</u>
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum Required Earnings	<u>\$ 2,114,293</u>	<u>\$ 2,485,100</u>
Actual debt coverage	<u>3.10</u>	<u>3.39</u>

NOTE 10 – NET POSITION

GASB 34 requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted net position* – This component of net position consists of constraints placed on net

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As Of and For the Years Ended December 31, 2019 and 2018

position use through external constraints imposed by creditors (such as through debt covenants and pension plans), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

The following calculation supports the Water Utility’s net investment in capital assets:

	2019	2018
Land and land rights	\$ 242,750	\$ 242,750
Intangible assets	69,544	-
Plant in service	120,561,797	116,657,598
Construction work in progress	127,458	2,194,879
Accumulated amortization	(3,199)	-
Accumulated depreciation	(43,024,951)	(40,794,780)
Payables and accruals for capital assets	(30,017)	(532,614)
Subtotal	<u>77,943,382</u>	<u>77,767,833</u>
Less Capital Related Debt:		
Current portion of capital related long term debt	1,231,837	1,492,920
Long-term portion of capital related long term debt, net of unspent debt proceeds	14,541,210	15,773,046
Unamortized premiums on debt	2,496	10,439
Unamortized loss on advance refunding	(11,874)	(24,827)
Subtotal	<u>15,763,669</u>	<u>17,251,578</u>
Total Net Investment in Capital Assets	<u>\$ 62,179,713</u>	<u>\$ 60,516,255</u>

The following calculation supports the Sewer Utility’s net investment in capital assets:

	2019	2018
Land and land rights	\$ 13,145	\$ 13,145
Intangible assets	16,175	-
Plant in service	45,891,231	45,324,881
Construction work in progress	110,279	7,945
Accumulated depreciation	(12,458,206)	(12,010,193)
Payables and accruals for capital assets	(32,623)	(78,539)
Subtotal	<u>33,540,001</u>	<u>33,257,239</u>
Less Capital Related Debt:	-	-
Total Net Investment in Capital Assets	<u>\$ 33,540,001</u>	<u>\$ 33,257,239</u>

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description

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

ETF 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

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

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 occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings.

Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

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 Wisconsin Statute Section 40.27. 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
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 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.

During the reporting period ending December 31, 2019, the WRS recognized \$146,963 in contributions from the Utility, of which \$117,570 is for the Water Utility and \$29,393 is for the Sewer Utility. For the year ending December 31, 2018, the WRS recognized \$143,369 in contributions from the Utility, of which \$114,695 is for the Water Utility and \$28,674 is for the Sewer Utility.

Contribution rates as of December 31, 2019 and 2018 are:

Notes to Financial Statements

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	<u>Employee</u>	<u>Employer</u>
2019		
General (including Executives and Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%
2018		
General (including Executives and 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 Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Utility reported a liability (asset) of \$495,508, of which \$396,406 is for the Water Utility and \$99,102 is for the Sewer Utility, for its proportionate share of the total net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City of Oak Creek's proportion was 0.16391%. This proportion was an increase of 0.00487% from its proportion measured as of December 31, 2017.

At December 31, 2018, the Utility reported a liability (asset) of (\$406,918), of which (\$325,534) is for the Water Utility and (\$81,384) is for the Sewer Utility, for its proportionate share of the total net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (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 Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City of Oak Creek's proportion was 0.15904%. This proportion was a decrease of 0.00322% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2019, the Utility recognized pension expense of \$347,388, of which \$277,910 is for the Water Utility and \$69,478 is for the Sewer Utility. For the year ended December 31, 2018, the Utility recognized pension expense of \$183,113, of which \$146,489 is for the Water Utility and \$36,624 is for the Sewer Utility.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Water		
Differences between expected and actual experience	\$ 318,456	\$ (576,353)
Changes in assumptions	76,996	-
Net differences between projected and actual earnings on pension plan	620,951	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,553	(1,803)
Employer contributions subsequent to the measurement date	115,049	-
Water Totals	<u>\$ 1,137,005</u>	<u>\$ (578,156)</u>

OAK CREEK WATER AND SEWER UTILITY

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

(continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Sewer		
Differences between expected and actual experience	\$ 79,616	\$ (144,090)
Changes in assumptions	19,250	-
Net differences between projected and actual earnings on pension plan	155,239	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,390	(451)
Employer contributions subsequent to the measurement date	28,762	-
Sewer Totals	<u>\$ 284,257</u>	<u>\$ (144,541)</u>
Utility Totals	<u>\$ 1,421,262</u>	<u>\$ (722,697)</u>

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
Water		
Differences between expected and actual experience	\$ 417,560	\$ (221,388)
Changes in assumptions	73,601	-
Net differences between projected and actual earnings on pension plan	-	(399,162)
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,625	(559)
Employer contributions subsequent to the measurement date	117,571	-
Water Totals	<u>\$ 618,357</u>	<u>\$ (621,109)</u>

(continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Sewer		
Differences between expected and actual experience	\$ 104,392	\$ (55,348)
Changes in assumptions	18,401	-
Net differences between projected and actual earnings on pension plan	-	(99,791)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,408	(140)
Employer contributions subsequent to the measurement date	29,393	-
Sewer Totals	<u>\$ 154,594</u>	<u>\$ (155,279)</u>
Utility Totals	<u>\$ 772,951</u>	<u>\$ (776,388)</u>

At December 31, 2019, the Utility reported \$143,811 as deferred outflows related to pension resulting from WRS Employer's contributions subsequent to the measurement date. Of this total, \$115,049 is for the Water Utility and \$28,762 is for the Sewer Utility. This deferred outflow amount will be recognized as a reduction of the net pension liability (asset) in the subsequent year ended December 31, 2020.

At December 31, 2018, the Utility reported \$146,963 as deferred outflows related to pension resulting from WRS Employer's contributions subsequent to the measurement date. Of this total, \$117,570 is for the Water Utility and \$29,393 is for the Sewer Utility. This deferred outflow amount will be recognized as a reduction of the net pension liability (asset) in the subsequent year ended December 31, 2019.

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

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

	Net Deferred Outflows and Inflows of Resources
Water	
2020	\$ 162,142
2021	41,094
2022	69,641
2023	170,923
2024	-
Water Totals	<u>\$ 443,800</u>
Sewer	
2020	\$ 40,537
2021	10,273
2022	17,411
2023	42,733
2024	-
Sewer Totals	<u>\$ 110,954</u>
Utility Totals	<u><u>\$ 554,754</u></u>

Actuarial Assumptions

The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases:		
Inflation	3.0%	3.2%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	1.9%	2.1%

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

Actuarial assumptions used in the December 31, 2017 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2015 through 2017. 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.

Actuarial assumptions used in the December 31, 2016 actuarial valuation is based upon an experience study conducted in 2015 using experience from 2012 through 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 as of December 31, 2019 are summarized in the following table:

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Asset Class			
<i>Core Fund:</i>			
Global equities	49.0%	8.1%	5.5%
Fixed income	24.5	4.00	1.5
Inflation sensitive assets	15.5	3.8	1.3
Real estate	9.0	6.5	3.9
Private equity/debt	8.0	9.4	6.7
Multi-asset	4.0	6.7	4.1
Total Core Fund	110.0%	7.3%	4.7%

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

(continued)

Asset Class	Long-Term	
	Current	Expected
	Asset	Nominal
Allocation	Rate of	Rate of
%	Return %	Return %
Variable Fund:		
US equities	70.0%	7.6%
International equities	30.0	8.5
Total Variable Fund	100.0%	8.0%

New England Pension Consultants Long-Term U.S. CPI (Inflation)
Forecast is 2.5%. Asset allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2018 are summarized in the following table:

Asset Class	Long-Term	
	Current	Expected
	Asset	Nominal
Allocation	Rate of	Rate of
%	Return %	Return %
Core Fund:		
Global equities	50.0%	8.2%
Fixed income	24.5	4.20
Inflation sensitive assets	15.5	3.8
Real estate	8.0	6.5
Private equity/debt	8.0	9.4
Multi-asset	4.0	6.5
Total Core Fund	110.0%	7.3%
Variable Fund:		
US equities	70.0%	7.5%
International equities	30.0	7.8
Total Variable Fund	100.0%	7.9%

New England Pension Consultants Long-Term U.S. CPI (Inflation)
Forecast is 2.75%. Asset allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single Discount Rate

Single discount rates of 7.00% and 7.20% were used to measure the total pension liability as of December 31, 2019 and December 31, 2018. This single discount rate was based on the expected rates of return on pension plan investments of 7.00% and 7.20%, in addition to a long-term bond rate of 3.71%

in 2019 and 3.31% in 2018. Because of the unique structure of the WRS, the 7.00% and 7.20% expected rates of return imply that a dividend of approximately 1.9% and 2.1%, respectively, 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the Utility's proportionate share of the net pension liability (asset) calculated using the discount rates of 7.00% for 2019 and 7.20% for 2018, as well as what the Utility's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

The sensitivity analysis as of December 31, 2019 and 2018 follows:

	2019	2018
Water		
1% Decrease to Discount Rate (6.00%)	\$ 1,622,200	N/A
Current Discount Rate (7.00%)	396,406	N/A
1% Increase to Discount Rate (8.00%)	(494,516)	N/A
1% Decrease to Discount Rate (6.20%)	N/A	\$ 855,243
Current Discount Rate (7.20%)	N/A	(325,534)
1% Increase to Discount Rate (8.20%)	N/A	(1,231,788)

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

<i>(continued)</i>	2019	2018
Sewer		
1% Decrease to Discount Rate (6.00%)	463,486	N/A
Current Discount Rate (7.00%)	99,102	N/A
1% Increase to Discount Rate (8.00%)	(141,290)	N/A
1% Decrease to Discount Rate (6.20%)	N/A	244,355
Current Discount Rate (7.20%)	N/A	(81,384)
1% Increase to Discount Rate (8.20%)	N/A	(351,939)

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>.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE

The Utility implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2018. The prior year balances for deferred outflows of resources, deferred inflows of resources, and the total OPEB liability were not restated due to the measurement date used for the calculation of the balances and the timing of the information received by the plan.

General Information about the OPEB - Health Insurance Plan

Plan Description

The Utility participates in a single-employer defined benefit group health insurance plan ("the Retiree Health Benefits Plan") administered by the City, which provides coverage to active employees and retirees at blended premium rates. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Benefits Plan does not issue a publicly available financial report.

Benefits Provided

Benefit provisions are established through collective bargaining agreements, personnel policy guidelines or past practice and state that eligible retirees, their spouses and eligible dependents receive health insurance benefits at differing contribution rates, depending on years of service, date of hire and date of retirement. Health insurance benefits are subject to deductibles and co-pays as determined by the Primary Government.

Contributions

Contribution requirements are established by the Primary Government. The Utility made health insurance contributions of 90% on behalf of all active employees and 60-100% on behalf of retirees for the year 2019. The Utility contributed 90.09% of the current year premiums for a family and a single plan for eligible retired plan members and their spouses. For fiscal years 2019 and 2018, the Utility contributed \$115,340 and \$131,433 to the plan, respectively. Plan members receiving benefits contribute 9.91% of their premium costs for a family and a single plan. For fiscal years 2019 and 2018, total member contributions were \$12,688 and \$15,533, respectively.

Employees Covered by Benefit Terms

At December 31, 2019, the following Utility employees were covered by the benefit terms:

Active employees	24
Inactive plan members or beneficiaries currently receiving benefit payments	22
Total	46

Total OPEB Liability

At December 31, 2019, the Utility reported a total OPEB liability of \$1,950,065 for the Water Utility and \$487,515 for the Sewer Utility, which was measured as of December 31, 2018 and determined by an actuarial valuation as of January 1, 2018.

At December 31, 2018, the Utility reported a total OPEB liability of \$ 2,109,269 for the Water Utility

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

and \$527,316 for the Sewer Utility, which was measured as of December 31, 2017, and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the actuarial valuation as of December 31, 2019 and 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Discount rate	4.10%	3.44%
Salary increases:		
Inflation	3.00%	3.00%
Seniority/Merit	0.40% - 4.80%	0.40% - 4.80%
Healthcare cost trend rates	1.12%-7.30%	1.12%-7.30%

The discount rate was based on the 20-year Bond Buyer GO Index.

99% of current employees with medical coverage are expected to participate in the City's retiree health insurance plan. 10% of current employees without medical coverage are expected to participate in the City's retiree health insurance plan. 70% of future retirees who take medical coverage are assumed to elect family coverage. Expected 2019 and 2018 monthly medical costs per retiree by age is as follows:

Age	Male		Female	
	Single	Family	Single	Family
55	\$ 788	\$ 1,734	\$ 871	\$ 1,734
60	10	2,114	1,022	2,115
64	1,286	2,539	1,178	2,539
65	355	687	332	687
70	395	755	360	755
75	434	818	384	818

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 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 Wisconsin 2018 Mortality Table as the base table and project future improvements with 2018 generational improvement scale (multiplied by 60%), as adopted by the 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 Board in connection with the 2015-2017 Experience Study performed by the actuary for the Wisconsin Retirement System.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period 2015-2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Water	
Balance at December 31, 2017	\$ 2,039,559
Changes for the Year:	
Service cost	36,256
Interest on total OPEB liability	76,351
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	70,042
Benefit payments	(112,939)
Net Changes	69,710
Balance at December 31, 2018	<u>\$ 2,109,269</u>

OAK CREEK WATER AND SEWER UTILITY

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

(continued)

	Total OPEB Liability
Water	
Balance at December 31, 2018	\$ 2,109,269
Changes for the Year:	
Service cost	48,416
Interest	86,927
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(156,118)
Benefit payments	(138,429)
Net Changes	(159,204)
Balance at December 31, 2019	<u>\$ 1,950,065</u>
Sewer	
Balance at December 31, 2017	\$ 509,889
Changes for the Year:	
Service cost	9,064
Interest on total OPEB liability	19,088
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	17,510
Benefit payments	(28,235)
Net Changes	17,427
Balance at December 31, 2018	<u>\$ 527,316</u>
Balance at December 31, 2018	\$ 527,316
Changes for the Year:	
Service cost	12,103
Interest	21,732
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(39,029)
Benefit payments	(34,607)
Net Changes	(39,801)
Balance at December 31, 2019	<u>\$ 487,515</u>

There have been no significant changes in benefit terms impacting the retirees' share of health insurance premiums.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.44% in 2018 to 4.10% in 2019 and 3.78% in 2017 to 3.44% in 2018.

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

The following table presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	2019	2018
Water		
1% Decrease to Discount Rate (1.75%)	\$ 2,148,169	N/A
Current Discount Rate (2.75%)	1,950,065	N/A
1% Increase to Discount Rate (3.75%)	1,778,181	N/A
1% Decrease to Discount Rate (3.10%)	N/A	\$ 2,337,800
Current Discount Rate (4.10%)	N/A	2,109,269
1% Increase to Discount Rate (5.10%)	N/A	1,912,950
Sewer		
1% Decrease to Discount Rate (1.75%)	537,042	N/A
Current Discount Rate (2.75%)	487,515	N/A
1% Increase to Discount Rate (3.75%)	444,545	N/A
1% Decrease to Discount Rate (3.10%)	N/A	584,450
Current Discount Rate (4.10%)	N/A	527,317
1% Increase to Discount Rate (5.10%)	N/A	478,237

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the net OPEB liability of the Utility, as well as what the Utility's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower and one percentage point higher than the current healthcare cost trend rates:

	2019	2018
Water		
1% Decrease to Trend Rate (.12-5.3%)	\$ 1,742,509	N/A
Current Discount Rate (1.12-6.3%)	1,950,065	N/A
1% Increase to Discount Rate (2.12-7.3%)	2,193,752	N/A
1% Decrease to Trend Rate (3.13-6.3%)	N/A	\$ 1,892,137
Current Discount Rate (4.13-7.3%)	N/A	2,109,269
1% Increase to Discount Rate (5.13-8.3%)	N/A	2,364,897
Sewer		
1% Decrease to Trend Rate (.12-5.3%)	435,627	N/A
Current Discount Rate (1.12-6.3%)	487,515	N/A
1% Increase to Discount Rate (2.12-7.3%)	548,438	N/A
1% Decrease to Trend Rate (3.13-6.3%)	N/A	473,034
Current Discount Rate (4.13-7.3%)	N/A	527,317
1% Increase to Discount Rate (5.13-8.3%)	N/A	591,224

OAK CREEK WATER AND SEWER UTILITY

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

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

For the year ended December 31, 2019, OPEB expense was recognized in the amount of (\$100,972) for the Water Utility and (\$25,244) for the Sewer Utility. For the year ended December 31, 2018, OPEB expense was recognized in the amount of \$10,439 for the Water Utility and \$2,610 for the Sewer Utility.

As of 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
Water		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	44,491	(104,805)
Employer contributions subsequent to the measurement date	174,292	-
Total	<u>\$ 218,783</u>	<u>\$ (104,805)</u>
Sewer		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	11,123	(26,201)
Employer contributions subsequent to the measurement date	43,573	-
Total	<u>\$ 54,696</u>	<u>\$ (26,201)</u>

As of December 31, 2018, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Water		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	57,579	-
Employer contributions subsequent to the measurement date	114,631	-
Total	<u>\$ 172,210</u>	<u>\$ -</u>

(continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Sewer		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	14,394	-
Employer contributions subsequent to the measurement date	28,658	-
Total	<u>\$ 43,052</u>	<u>\$ -</u>

Deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net OPEB liability in the subsequent year. 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 Deferred Outflows and Inflows of Resources
Water	
2020	\$ (10,395)
2021	(10,395)
2022	(10,395)
2023	(15,065)
2024	(14,064)
Thereafter	-
Total	<u>\$ (60,314)</u>
Sewer	
2020	\$ (2,598)
2021	(2,598)
2022	(2,598)
2023	(3,766)
2024	(3,518)
Thereafter	-
Total	<u>\$ (15,078)</u>

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

The Utility implemented GASB Statement No. 75, *Accounting and Financial Reporting for*

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Postemployment Benefits Other Than Pensions, effective January 1, 2018. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2018. The prior year balances for deferred outflows of resources, deferred inflows of resources, and the net OPEB liability were not restated due to the measurement date used for the calculation of the balances and the timing of the information received by the plan.

General Information about the OPEB - Life Insurance Plan

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a multiple-employer defined benefit OPEB plan (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. 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 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

The LRLIF plan provides fully paid life insurance benefits for post-age 64 retired employees and pre-age 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 for the plan year reported 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

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 plan year are listed below:

Life Insurance Employee Contribution Rates for the Plan Year	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
34-39	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

For the year ended December 31, 2019, the LRLIF recognized employer contributions in the amount of \$888 from the Water Utility and \$222 from the Sewer Utility. For the year ended December 31, 2018, the LRLIF recognized employer contributions in the

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

amount of \$766 from the Water Utility and \$191 from the Sewer Utility.

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

At December 31, 2019, liabilities in the amount of \$104,935 for the Water Utility and \$26,234 for the Sewer Utility were reported for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net OPEB liability was based on the Utility's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the Utility's proportion was 0.348558%, which was an increase of 0.002923% from its proportion measured as of December 31, 2017.

At December 31, 2018, liabilities in the amount of \$121,368 for the Water Utility and \$30,263 for the Sewer Utility were reported for their proportionate shares 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 Utility's proportion of the net OPEB liability was based on the Utility's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the Utility's proportion was 0.345635%, which was an increase of 0.012447% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2019, OPEB expense was recognized in the amount of \$11,177 for

the Water Utility and \$2,880 for the Sewer Utility. For the year ended December 31, 2018, OPEB expense was recognized in the amount of \$13,123 for the Water Utility and \$3,273 for the Sewer Utility.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Water		
Differences between expected and actual experience	\$ -	\$ (5,324)
Net differences between projected and actual earnings on OPEB plan investments	2,508	-
Changes of assumptions	10,017	(22,746)
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,389	-
Employer contributions subsequent to the measurement date	796	-
Total	<u>\$ 16,710</u>	<u>\$ (28,070)</u>
Sewer		
Differences between expected and actual experience	\$ -	\$ (1,330)
Net differences between projected and actual earnings on OPEB plan investments	626	-
Changes of assumptions	2,495	(5,686)
Changes in proportion and differences between employer contributions and proportionate share of contributions	847	-
Employer contributions subsequent to the measurement date	191	-
Total	<u>\$ 4,159</u>	<u>\$ (7,016)</u>

As of December 31, 2018, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Water		
Differences between expected and actual experience	\$ -	\$ (1,710)
Net differences between projected and actual earnings on OPEB plan investments	1,398	-
Changes of assumptions	11,728	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,058	-
Employer contributions subsequent to the measurement date	888	-
Total	<u>\$ 17,072</u>	<u>\$ (1,710)</u>

Sewer		
Differences between expected and actual experience	\$ -	\$ (427)
Net differences between projected and actual earnings on OPEB plan investments	348	-
Changes of assumptions	2,924	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	763	-
Employer contributions subsequent to the measurement date	222	-
Total	<u>\$ 4,257</u>	<u>\$ (427)</u>

Deferred outflows related to OPEB resulting from the LRLIF employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net OPEB liability in the subsequent year. 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
Water	
2020	\$ (1,466)
2021	(1,466)
2022	(1,466)
2023	(1,819)
2024	(2,181)
Thereafter	(3,758)
Total	<u>\$ (12,156)</u>

(continued) Year Ended December 31	Net Outflows/ Inflows of Resources
Sewer	
2020	\$ (367)
2021	(367)
2022	(367)
2023	(456)
2024	(547)
Thereafter	(944)
Total	<u>\$ (3,048)</u>

Actuarial Assumptions

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

	2019	2018
Actuarial valuation date	January 1, 2018	January 1, 2017
Measurement date of net OPEB liability	December 31, 2018	December 31, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
20 year tax-exempt municipal bond yield	4.10%	3.44%
Long-term expected rate of return	5.00%	5.00%
Discount rate	4.22%	3.63%
Salary increases:		
Inflation	3.00%	3.20%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table

Long-Term Expected Return on Plan Assets

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securitan, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year.

Investment interest is credited based on the aggregate

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

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.

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2018

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
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			2.3
Long-Term Expected Rate of Return			5

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2017

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
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			2.3
Long-Term Expected Rate of Return			5

Single Discount Rate

Single discount rates of 4.22% and 3.63% were used to measure the total OPEB liability as of December 31, 2019 and December 31, 2018. 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.

Sensitivity of the Utility's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Utility's proportionate share of the net OPEB liability calculated using the discount rate of 4.22% for 2019 and 3.63% for 2018, as well as what the Utility's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

The sensitivity analysis as of December 31, 2019 and 2018 follows:

	2019	2018
Water		
1% Decrease to Discount Rate (3.22%)	\$ 166,329	N/A
Current Discount Rate (4.22%)	104,935	N/A
1% Increase to Discount Rate (5.22%)	78,815	N/A
1% Decrease to Discount Rate (2.63%)	N/A	\$ 176,368
Current Discount Rate (3.63%)	N/A	121,368
1% Increase to Discount Rate (4.63%)	N/A	85,200
Sewer		
1% Decrease to Discount Rate (3.22%)	38,384	N/A
Current Discount Rate (4.22%)	26,234	N/A
1% Increase to Discount Rate (5.22%)	18,188	N/A
1% Decrease to Discount Rate (2.63%)	N/A	44,092
Current Discount Rate (3.63%)	N/A	30,263
1% Increase to Discount Rate (4.63%)	N/A	21,300

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

OPEB Plan Fiduciary Net Position

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

NOTE 14 – COMMITMENTS

The Water Utility had the following outstanding contractual commitments as of December 31, 2019 and 2018:

Project Description	Contractor and Commitment Date	Contract Amount	Remaining Amount
2019			
College Avenue water main extension	Cornerstone One, LLC 12/13/2019	406,414	406,414
Howell Avenue and Quail Run water main looping	Cornerstone One, LLC 12/18/2019	276,759	276,759
Pollution remediation	Ramboll Environ 4/19/2016, amendments	438,000	200,518
2018			
Locker room remodel at water treatment plant	William Sackerson Construction, Inc. 10/29/2018	\$ 223,500	\$ 223,500
27th Street water main extension	Globe Contractors, Inc. 11/14/2018	222,960	157,182
E. Forest Hill water main extension	Globe Contractors, Inc. 11/14/2018	533,760	533,760
I94 Corridor at Puetz Road water main construction	Globe Contractors, Inc. 10/9/2018	889,665	799,789
Pollution remediation	Ramboll Environ 4/19/2016, amendments	438,000	202,564

Of the 2018 contractual commitment with Globe Contractors, Inc. for the I94 corridor at Puetz Road water main construction project, 90% of the remaining amount, or \$719,810, is reimbursable from the Wisconsin Department of Transportation in accordance with an agreement and the Wisconsin Statutes.

The Sewer Utility had no outstanding contractual commitments as of December 31, 2019 and had the following outstanding contractual commitment as of December 31, 2018.

Project Description	Contractor and Commitment Date	Contract Amount	Remaining Amount
2018			
Sanitary sewer rehab	Visu-Sewer, Inc. 1/12/18	\$ 616,204	\$ 152,420

The Utility was deemed to be the responsible party for pollution cleanup at its water treatment plant site and is obligated to address the pollution remediation under Federal and State laws and regulations. The Utility has an outstanding estimated commitment as of December 31, 2019 and 2018 for pollution remediation in the amount of \$2,295,600 and \$1,614,507, respectively, recorded as a liability.

NOTE 15 – CONTINGENCIES

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

NOTE 16 – WHOLESALE CONTRACTS

The Utility, along with the City of Oak Creek (Oak Creek), have entered into a 30-year contract with the City of Franklin and the Franklin Water Utility (Franklin) in Milwaukee County on April 4, 1994 to sell water to Franklin at wholesale rates approved by the Public Service Commission of Wisconsin (PSC). Under the contract, Franklin is a wholesale customer of the Utility and customers of the City of Franklin are retail customers of Franklin. The Utility is responsible for maintaining and repairing all parts of the water delivery system, which are located in Oak Creek, and Franklin is responsible for maintaining

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

the water system in Franklin. Under the contract terms, Franklin is obligated to obtain all of its water from Oak Creek, except for a small part of the city that gets water from the City of Milwaukee. This contract terminates on April 3, 2024.

On December 6, 1991, Oak Creek and the Utility entered into a 30-year contract with the Crestview Sanitary District (Crestview) in Racine County to provide water to Crestview at wholesale rates approved by the PSC. Under the contract, Crestview is a wholesale customer of the Utility and customers of Crestview Sanitary District are retail customers of Crestview. In accordance with the contract terms, the Utility is responsible for maintaining and repairing all parts of the water delivery system located in Oak Creek, and Crestview is responsible for maintaining all parts of the system located outside Oak Creek. Under the contract, Crestview shall obtain all of its water from the Utility exclusively. On January 18, 1994, the North Park Sanitary District (North Park) entered into a contract with Crestview to receive water from Crestview, thereby expanding the Utility's wholesale service area. Oak Creek and the Utility have amended the original contract with Crestview to include this new service area.

On February 12, 1992, Oak Creek and the Utility entered into a 30-year contract with the Caddy Vista Sanitary District (Caddy Vista) in Racine County to provide water to Caddy Vista at wholesale rates approved by the PSC. In accordance with the contract, Caddy Vista is a wholesale customer of the Utility and customers of Caddy Vista Sanitary District are retail customers of Caddy Vista. Under the terms of this contract, the Utility is responsible for maintaining and repairing all parts of the water delivery system located in Oak Creek. Caddy Vista is responsible for maintaining the water delivery system located outside of Oak Creek. Caddy Vista must purchase its entire public water supply from the Utility, in accordance with the contract.

On December 17, 2008, Oak Creek and the Utility have entered into a new 40-year contract with the Village of Caledonia (Caledonia) to provide water to certain areas of Caledonia at wholesale rates

approved by the PSC. This new contract supersedes the prior contracts with Crestview and Caddy Vista. Both Crestview and Caddy Vista fall under the umbrella of the Village of Caledonia and are included in this contract. Under the contract, Caledonia is a wholesale customer of the Utility and customers of the Village of Caledonia, in the covered service areas, are retail customers of Franklin. The Utility's wholesale service area in Racine County was expanded under the terms of this contract. In accordance with the contract, Caledonia will be responsible for the construction of new water mains needed for the delivery of water to the new service area. Except for this construction, the Utility is responsible for maintaining and repairing all parts of the water delivery system located in Oak Creek and Caledonia is responsible for maintaining the portion of the system outside of Oak Creek's boundaries. The Utility shall be the sole provider of water service to Caledonia, within the designated service area. This contract terminates on December 16, 2048.

NOTE 17 – RISK MANAGEMENT AND INSURANCE

The Utility participates in the risk management and insurance programs of the City, and the following information is representative of the City as a whole.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City purchases commercial insurance to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omissions and workers compensation. Employee health and dental care are accounted for and financed by the City in the health insurance internal service fund, which includes commercial insurance and self-funding. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Self Insurance

For health claims, the uninsured risk of loss is \$100,000 deductible per individual and \$6,242,999 in the aggregate for a policy year. Claims in excess of those amounts are covered by specific reinsurance with an unlimited lifetime maximum reimbursement. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

All funds in the City participate in the health and dental insurance internal service fund. Amounts payable to the health insurance fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$0 was designated for that reserve at year end, and is included in unrestricted net position of the internal service fund.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

Liabilities include an amount for claims that have been incurred, but not yet reported. The City does not allocate overhead costs or other non-incremental costs to the claims liability.

Claims Liability

	Amount
Unpaid claims - December 31, 2016	\$ 387,112
Claims and changes in estimates	4,392,939
Claim payments	<u>(4,394,659)</u>
Unpaid claims - December 31, 2017	385,392
Claims and changes in estimates	8,223,211
Claim payments	<u>(5,410,583)</u>
Unpaid claims - December 31, 2018	3,198,020
Claims and changes in estimates	5,430,157
Claim payments	<u>(7,982,997)</u>
Unpaid claims - December 31, 2019	<u>\$ 645,180</u>
Unpaid claims and judgements due within one year from December 31, 2019	<u>\$ 645,180</u>

NOTE 18 – BASIS FOR EXISTING RATES

Current water rates were approved by the PSCW on May 9, 2016 and became effective on June 6, 2016. These rates are based on a 4.20% return on rate base for retail customers and a 6.00% return on rate base for wholesale customers, resulting in a composite return on rate base of 4.85% overall.

Current sewer rates were approved by the Commission and Primary Government on September 21, 2010 and became effective on October 15, 2010. Adjustments are made annually for treatment costs pursuant to MMSD's Cost Recovery Procedures Manual. Sewer Rates are authorized by City Ordinance 2597.

NOTE 19 – SUBSEQUENT EVENTS

The Utility has adjusted Milwaukee Metropolitan Sewerage District (MMSD) rates as of January 1, 2020. These rates are based on annual MMSD calculations and are passed through to the Utility's sewer customers.

The East Jewell Street Sanitary Sewer project was approved by the Utility's Commission, and a construction contract was awarded to the lowest, responsive, responsible bidder, D.F. Tomasini Contractors, Inc., in the amount of \$1,390,801. The contract is dated February 17, 2020.

NOTE 20 – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The Utility adopted GASB Statement No. 75 effective January 1, 2018. The cumulative effect of implementation is reflected as a change in net position at December 31, 2017 as follows:

Notes to Financial Statements

As Of and For the Years Ended December 31, 2019 and 2018

Water

Net OPEB liability, January 1, 2018	\$ (1,246,005)
Deferred outflows, January 1, 2018	<u>113,706</u>
Cumulative Effect of a Change in Principle	<u><u>\$ (1,132,299)</u></u>

Sewer

Net OPEB liability, January 1, 2018	\$ (311,439)
Deferred outflows, January 1, 2018	<u>28,426</u>
Cumulative Effect of a Change in Principle	<u><u>\$ (283,013)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

As Of and For the Years Ended December 31, 2019 and 2018

The following information is supplemental to the Oak Creek Water and Sewer Utility's (Utility) financial statements and footnotes. You are invited to review this section in conjunction with the entire financial section of this report.

EMPLOYEES' RETIREMENT SYSTEM

A summary of the Utility's proportionate share of the net pension liability (asset) for the most recent ten years (as available) is presented in Table 1, as follows.

Table 1
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Water Utility					
City of Oak Creek's proportion of the net pension liability (asset)	0.163908%	0.159041%	0.155825%	0.157755%	0.160470%
Utility's proportionate share of the net pension liability (asset)	\$ 396,406	\$ (325,534)	\$ 96,060	\$ 193,760	\$ (303,195)
Utility's covered payroll	1,754,791	1,686,691	1,636,787	1,748,546	1,782,684
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	22.59%	-19.30%	5.87%	11.08%	-17.01%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.45%	102.93%	99.12%	98.20%	102.74%
Sewer Utility					
City of Oak Creek's proportion of the net pension liability (asset)	0.163908%	0.159041%	0.155825%	0.157755%	0.157755%
Utility's proportionate share of the net pension liability (asset)	\$ 99,102	\$ (81,384)	\$ 24,015	\$ 48,440	\$ (75,799)
Utility's covered payroll	438,701	421,676	409,227	329,980	308,932
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	22.59%	-19.30%	5.87%	14.68%	-24.54%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.45%	102.93%	99.12%	98.20%	102.74%

Table 2 summarizes the Utility's contributions to the Wisconsin Retirement System for the most recent ten years, as follows:

Table 2
Schedule of Utility's Contributions
Wisconsin Retirement System
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Water Utility					
Contractually required contributions	\$ 115,049	\$ 117,571	\$ 114,695	\$ 108,028	\$ 113,072
Contributions in relation to the contractually required contributions	(115,049)	(117,571)	(114,695)	(108,028)	(113,072)
Contribution deficiency (excess)	-	-	-	-	-
Utility's covered payroll	1,756,473	1,754,791	1,686,691	1,636,788	1,662,824
Contributions as a percentage of covered employee payroll	6.55%	6.70%	6.80%	6.60%	6.80%

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

Required Supplementary Information

As Of and For the Years Ended December 31, 2019 and 2018

Table 2 (continued)

	2019	2018	2017	2016	2015
Sewer Utility					
Contractually required contributions	\$ 28,762	\$ 29,393	\$ 28,674	\$ 27,009	\$ 28,268
Contributions in relation to the contractually required contributions	(28,762)	(29,393)	(28,674)	(27,009)	(28,268)
Contribution deficiency (excess)	-	-	-	-	-
Utility's covered payroll	439,115	438,701	421,676	409,227	415,706
Contributions as a percentage of covered employee payroll	6.55%	6.70%	6.80%	6.60%	6.80%

OTHER POSTEMPLOYMENT BENEFITS

A summary of the Utility's schedule of changes in its total OPEB health insurance liability and related ratios for the most recent ten years (as available) is presented in Table 3, as follows.

Table 3
Schedule of Changes in the Utility's Total OPEB Liability and Related Ratios
Health Insurance Plan
Last Ten Fiscal Years

	2019	2018
Water Utility		
Changes for the Year:		
Service cost	\$ 48,416	\$ 36,256
Interest on total OPEB liability	86,927	76,351
Changes in benefit terms	-	-
Difference between expected and actual experiences	-	-
Changes in assumptions	(156,118)	70,042
Benefit payments	(138,429)	(112,939)
Net Changes in Total OPEB Liability	(159,204)	69,710
Total OPEB Liability, Beginning Balance	2,109,269	2,039,559
Total OPEB Liability, Ending Balance	<u>\$ 1,950,065</u>	<u>\$ 2,109,269</u>
Covered-Employee Payroll	\$ 1,920,227	\$ 1,916,505
Total OPEB Liability as a Percentage of Covered-Employee Payroll	101.55%	110.06%
Sewer Utility		
Changes for the Year:		
Service cost	\$ 12,103	\$ 9,064
Interest on total OPEB liability	21,732	19,088
Changes in benefit terms	-	-
Difference between expected and actual experiences	-	-
Changes in assumptions	(39,029)	17,510
Benefit payments	(34,607)	(28,235)
Net Changes in Total OPEB Liability	(39,801)	17,427

See accompanying independent auditors' report.

OAK CREEK WATER AND SEWER UTILITY

Required Supplementary Information

As Of and For the Years Ended December 31, 2019 and 2018

Table 3 (continued)	2019	2018
Total OPEB Liability, Beginning Balance	527,316	509,889
Total OPEB Liability, Ending Balance	<u>\$ 487,515</u>	<u>\$ 527,316</u>
 Covered-Employee Payroll	 \$ 362,689	 \$ 374,388
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 134.42%	 140.85%

A summary of the Utility's proportionate share of the net OPEB life insurance liability for the most recent ten years (as available) is presented in Table 4, as follows.

Table 4
Schedule of Proportionate Share of the Net OPEB Liability
Local Retiree Life Insurance Fund
Last Ten Fiscal Years

	2019	2018
Water Utility		
City of Oak Creek's proportion of the net OPEB liability	0.348558%	0.345635%
Utility's proportionate share of the net OPEB liability	104,935	121,368
Utility's covered-employee payroll	1,754,791	1,686,691
Proportionate share of the net OPEB liability as a percentage of covered-employee payroll	5.98%	7.20%
Plan fiduciary net position as a percentage of the total OPEB liability	48.69%	44.81%
 Sewer Utility		
City of Oak Creek's proportion of the net OPEB liability	0.348558%	0.345635%
Utility's proportionate share of the net OPEB liability	26,234	30,263
Utility's covered-employee payroll	438,701	421,676
Proportionate share of the net OPEB liability as a percentage of covered-employee payroll	5.98%	7.18%
Plan fiduciary net position as a percentage of the total OPEB liability	48.69%	44.81%

Table 5 summarizes the Utility's contributions to the Local Retiree Life Insurance Fund for the most recent ten years, as follows:

Table 5
Schedule of Utility's Contributions
Local Retiree Life Insurance Fund
Last Ten Fiscal Years

	2019	2018
Water Utility		
Contractually required contributions	796	888
Contributions in relation to the contractually required contributions	(796)	(888)
Contribution deficiency (excess)	-	-
Utility's covered-employee payroll	1,756,473	1,754,791
Contributions as a percentage of covered-employee payroll	0.05%	0.05%

See accompanying independent auditors' report.

Required Supplementary Information

As Of and For the Years Ended December 31, 2019 and 2018

Table 5 (continued)	2019	2018
Sewer Utility		
Contractually required contributions	191	222
Contributions in relation to the contractually required contributions	(191)	(222)
Contribution deficiency (excess)	-	-
Utility's covered-employee payroll	439,115	438,701
Contributions as a percentage of covered-employee payroll	0.04%	0.05%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Wisconsin Retirement System

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Utility is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms: There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions: Changes in assumptions are summarized in the following table.

Table 6
Changes in Assumptions
Wisconsin Retirement System
Last Ten Fiscal Years

	2019	2015 - 2018
Long-term expected rate of return	7.00%	7.20%
Discount rate	7.00%	7.20%
Salary increases:		
Inflation	3.00%	3.20%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments	1.90%	2.10%

OPEB – Health Insurance Plan

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Utility is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms: There were no changes of benefit terms in the OPEB Health Insurance Plan.

See accompanying independent auditors' report.

Required Supplementary Information

As Of and For the Years Ended December 31, 2019 and 2018

Changes in assumptions: The discount rate changed from 3.44% in 2018 to 4.10% in 2019. There were no other changes in assumptions.

OPEB – Local Retiree Life Insurance Fund

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Utility is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms: There were no changes of benefit terms for any participating employer in the Local Retiree Life Insurance Fund.

Changes in assumptions: Changes in assumptions are summarized in the following table.

Table 7
Changes in Assumptions
Local Retiree Life Insurance Fund
Last Ten Fiscal Years

	2019	2018
20 year tax-exempt municipal bond yield	4.10%	3.44%
Long-term expected rate of return	5.00%	5.00%
Discount rate	4.22%	3.63%
Salary increases:		
Inflation	3.00%	3.20%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table

See accompanying independent auditors' report.

STATISTICAL SECTION



Statistical Section

This part of the Utility's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Utility's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends (<i>Schedules 1 – 9</i>)	93
These schedules contain trend information to help the reader understand how the Utility's financial performance and well-being have changed over time.	
Revenue Capacity (<i>Schedules 10 – 14</i>)	103
These schedules contain information to help the reader assess the factors affecting the Utility's ability to generate revenue from water and sewer ratepayers.	
Debt Capacity (<i>Schedules 15 – 16</i>)	109
These schedules present information to help the reader assess the affordability of the Utility's current levels of outstanding debt and the Utility's ability to issue additional debt in the future.	
Demographic and Economic Information (<i>Schedules 17 – 18</i>)	112
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Utility's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information (<i>Schedules 19 – 20</i>)	115
These schedules contain information about the Utility's operations and resource to help the reader understand how the Utility's financial information relates to the services the Utility provides and the activities it performs.	

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.*

FINANCIAL TRENDS

Schedule 1

Net Position, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
								Restated		
WATER										
Net Investment in Capital Assets	\$ 62,179,713	\$ 60,516,255	\$ 59,105,099	\$ 60,972,888	\$ 60,630,573	\$ 55,008,228	\$ 53,495,307	\$ 55,069,162	\$ 54,561,949	\$ 52,724,030
Restricted										
Revenue bond redemption	45,833	68,750	66,667	110,416	120,584	116,667	112,500	108,334	104,167	92,596
Revenue bond reserve	763,961	811,056	850,954	931,741	1,014,793	1,445,817	1,445,817	1,445,817	1,445,817	1,543,200
Revenue bond depreciation	-	-	-	-	-	-	-	-	-	197,804
Pension	-	325,534	-	-	303,195	-	-	-	-	-
Unrestricted	14,544,635	13,983,986	12,962,307	8,496,393	6,489,916	8,989,093	8,762,870	5,782,570	4,898,842	6,634,127
Total Water Net Position	77,534,142	75,705,581	72,985,027	70,511,438	68,559,061	65,559,805	63,816,494	62,405,883	61,010,775	61,191,757
SEWER										
Net Investment in Capital Assets	33,540,001	33,257,239	32,872,618	32,924,483	33,201,625	31,669,449	32,179,675	32,283,858	34,518,994	34,688,160
Restricted										
Pension	-	81,384	-	-	75,799	-	-	-	-	-
Unrestricted	10,720,898	10,318,668	10,436,128	10,354,909	9,609,448	8,938,839	8,397,411	8,398,137	4,947,287	4,404,998
Total Sewer Net Position	44,260,899	43,657,291	43,308,746	43,279,392	42,886,872	40,608,288	40,577,086	40,681,995	39,466,281	39,093,158
Total Utility Net Position	\$ 121,795,041	\$ 119,362,872	\$ 116,293,773	\$ 113,790,830	\$ 111,445,933	\$ 106,168,093	\$ 104,393,580	\$ 103,087,878	\$ 100,477,056	\$ 100,284,915

Notes: The year 2012 was restated to reflect the implementation of GASB 65. Items Previously Reported as Assets and Liabilities, which required debt issuance costs to be expensed in the period incurred.

OAK CREEK WATER AND SEWER UTILITY

Schedule 2

Change in Net Position, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Restated										
Operating Revenues-										
Water-										
Retail metered sales	\$ 5,667,686	\$ 5,686,475	\$ 5,541,988	\$ 5,506,450	\$ 5,170,945	\$ 5,047,384	\$ 4,954,115	\$ 4,724,514	\$ 4,211,071	\$ 4,063,508
Sales for resale	3,488,294	3,422,276	3,355,336	3,602,897	3,834,565	3,520,581	3,594,922	3,288,247	2,707,244	2,511,134
Public fire protection	1,227,984	1,216,171	1,205,957	1,170,963	1,135,891	1,111,316	1,084,420	1,032,985	978,365	956,350
Private fire protection	196,347	189,952	180,732	172,789	166,787	158,167	156,069	153,990	152,296	149,983
Other operating revenues	434,121	478,283	542,719	421,119	403,876	405,745	392,751	292,620	280,746	264,128
Total Water Operating Revenues	11,014,432	10,993,157	10,826,732	10,874,218	10,712,064	10,243,193	10,182,277	9,492,356	8,329,722	7,945,103
Sewer-										
Retail metered sales	4,311,241	4,250,323	3,926,957	3,906,569	3,591,266	3,435,950	3,421,732	3,633,624	3,540,258	3,289,278
Other operating revenues	38,059	54,160	52,198	54,446	48,489	50,152	53,057	51,219	47,683	47,781
Total Sewer Operating Revenues	4,349,300	4,304,483	3,979,155	3,961,015	3,639,755	3,486,102	3,474,789	3,684,843	3,587,941	3,337,059
Total Utility Operating Revenues	15,363,732	15,297,640	14,805,887	14,835,233	14,351,819	13,729,295	13,657,066	13,177,199	11,917,663	11,282,162
Operating Expenses-										
Water-										
Operation and maintenance	6,159,958	4,455,532	4,109,730	4,834,064	5,759,964	4,005,733	4,103,228	3,777,020	3,804,244	3,766,918
Depreciation/amortization	2,569,640	2,517,822	2,497,439	2,494,182	2,421,798	2,352,525	2,347,067	2,283,410	2,212,947	1,968,943
Taxes	1,856,151	1,790,672	1,782,553	1,832,880	1,838,487	1,720,543	1,798,420	1,794,815	1,628,424	1,570,586
Total Water Operating Expenses	10,585,749	8,764,026	8,389,722	9,161,126	10,020,249	8,078,801	8,248,715	7,855,245	7,645,615	7,306,447
Sewer-										
Operation and maintenance	3,674,618	4,115,969	3,716,310	3,233,396	2,979,879	2,894,764	3,071,160	2,769,158	2,855,298	2,842,982
Depreciation	554,528	552,791	541,553	560,735	525,741	548,716	534,330	549,564	583,805	560,616
Taxes	44,579	44,301	45,759	43,936	43,406	42,805	48,347	49,541	71,511	67,934
Total Sewer Operating Expenses	4,273,725	4,713,061	4,303,622	3,838,067	3,549,026	3,486,285	3,653,837	3,368,263	3,510,614	3,471,532
Total Utility Operating Expenses	14,859,474	13,477,087	12,693,344	12,999,193	13,569,275	11,565,086	11,902,552	11,223,508	11,156,229	10,777,979
Operating Income	504,258	1,820,553	2,112,543	1,836,040	782,544	2,164,209	1,754,514	1,953,691	761,434	504,183
Nonoperating Revenues (Expenses)-										
Water	(34,712)	(241,530)	(658,117)	(436,997)	(702,683)	(552,335)	(814,529)	(704,986)	(865,089)	(746,523)
Sewer	238,369	154,825	75,851	50,729	30,244	31,385	73,437	438,923	295,796	236,529
Total Nonoperating Revenues (Expenses)	203,657	(86,705)	(582,266)	(386,268)	(672,439)	(520,950)	(741,092)	(266,063)	(569,293)	(509,994)
Income Before Capital Contributions, Extraordinary Item and Special Item	707,915	1,733,848	1,530,277	1,449,772	110,105	1,643,259	1,013,422	1,687,628	192,141	(5,811)
Capital Contributions	1,724,254	2,750,563	972,666	895,125	4,392,868	131,254	292,280	1,026,677	-	896,494
Change in Net Position	\$ 2,432,169	\$ 4,484,411	\$ 2,502,943	\$ 2,344,897	\$ 4,502,973	\$ 1,774,513	\$ 1,305,702	\$ 2,714,305	\$ 192,141	\$ 890,683

Notes: Other Operating Revenues for Water and Sewer include unmetered sales, interest and penalties on past due accounts and rents from water property. The year 2012 was restated to reflect the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, which required debt issuance costs to be expensed in the period incurred.

Schedule 3

Operating Revenues from Retail Metered Sales (by Class), Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Residential	\$ 2,296,453	\$ 2,335,299	\$ 2,351,294	\$ 2,384,121	\$ 2,283,337	\$ 2,226,983	\$ 2,240,322	\$ 2,223,281	\$ 1,955,162	\$ 1,856,209
Commercial	1,853,665	1,840,121	1,839,722	1,804,790	1,743,097	1,687,669	1,604,511	1,558,302	1,503,344	1,741,586
Industrial	1,452,661	1,444,856	1,283,458	1,249,565	1,041,359	1,044,845	1,014,873	846,991	676,527	387,729
Public authority	64,907	66,199	67,514	67,974	103,152	87,887	94,409	95,940	76,038	77,984
Total Water Operating Revenues from Retail Metered Sales	5,667,686	5,686,475	5,541,988	5,506,450	5,170,945	5,047,384	4,954,115	4,724,514	4,211,071	4,063,508
SEWER										
Residential	2,162,541	2,150,041	2,034,534	2,075,495	1,997,963	1,927,621	1,947,468	2,143,883	2,070,049	1,794,022
Commercial	1,466,898	1,434,572	1,318,348	1,299,707	1,172,839	1,091,741	1,061,604	1,151,064	1,084,874	1,018,107
Industrial	637,932	622,254	532,338	489,134	359,484	365,803	354,524	275,955	331,366	422,512
Public authority	43,870	43,456	41,737	42,233	60,980	50,785	58,136	62,722	53,969	54,637
Total Sewer Operating Revenues from Retail Metered Sales	4,311,241	4,250,323	3,926,957	3,906,569	3,591,266	3,435,950	3,421,732	3,633,624	3,540,258	3,289,278
Total Utility Operating Revenues from Retail Metered Sales	\$ 9,978,927	\$ 9,936,798	\$ 9,468,945	\$ 9,413,019	\$ 8,762,211	\$ 8,483,334	\$ 8,375,847	\$ 8,358,138	\$ 7,751,329	\$ 7,352,786

Schedule 4

Operation and Maintenance Expenses, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Source of supply- Operation Maintenance	\$ 49,066 3,173	\$ 52,335 2,976	\$ 50,579 2,961	\$ 49,923 3,124	\$ 52,855 3,125	\$ 50,737 20,653	\$ 31,929 42,385	\$ 38,931 17,448	\$ 39,453 -	\$ 41,350 6,657
Pumping- Operation Maintenance	627,041 203,801	623,221 228,008	579,913 240,860	603,027 274,315	602,711 219,241	614,840 202,461	642,270 153,519	670,654 107,647	692,649 111,599	619,088 132,698
Water Treatment- Operation Maintenance	639,520 251,589	662,882 308,249	604,320 244,914	624,753 260,726	612,410 267,606	621,005 334,166	647,358 227,444	693,439 184,868	741,497 178,338	807,739 185,970
Pollution Remediation Transmission and Distribution- Operation Maintenance	683,139 584,410 293,145	31,063 544,610 225,343	11,854 529,349 197,419	81,736 503,310 323,833	1,787,367 483,502 403,431	- 525,275 455,303	- 482,458 479,003	- 433,436 190,582	- 440,916 192,320	- 428,238 206,257
Pollution Remediation Customer Accounts- Meter Reading	- 10,968 110,193	- 10,027 105,097	- 10,240 110,615	- 11,106 111,158	39,105 12,250 106,488	- 13,683 109,050	- 13,518 103,333	- 6,946 103,209	- 6,024 100,698	- 5,309 95,401
Records and Collection Administrative and General- Operation	2,002,408 792,188 (90,683)	959,077 679,848 22,796	722,201 599,548 204,957	1,174,554 609,469 203,030	549,105 410,820 209,948	405,889 445,212 207,459	550,992 446,241 282,778	588,392 462,504 278,964	379,396 544,335 377,019	371,538 499,907 366,766
Pension and Benefits Other Postemployment Benefits Total Water Operation and Maintenance Expenses	6,159,958	4,455,532	4,109,730	4,834,064	5,759,964	4,005,733	4,103,228	3,777,020	3,804,244	3,766,918
SEWER										
Sewer User Charge - Milwaukee Metropolitan Sewerage District Pumping- Operation Maintenance	2,824,908 3,310 13,655	2,757,233 3,037 13,484	2,446,379 2,341 10,789	2,357,804 2,066 11,320	2,213,262 1,995 8,892	2,121,549 2,775 10,620	2,053,930 2,977 12,057	1,979,056 1,903 11,247	1,990,602 2,495 13,075	2,041,096 2,673 14,467
Collection- Operation Maintenance	256,355 87,896	266,045 626,100	256,337 489,556	274,449 94,126	280,689 91,442	264,165 114,337	268,646 310,080	266,753 93,403	239,541 152,775	226,328 142,064
Customer Accounts- Operation Maintenance	10,084 56,954	9,966 53,236	9,732 57,333	9,547 57,921	9,426 56,666	9,264 58,829	7,570 54,608	4,396 53,208	4,983 52,184	3,862 48,989
Administrative and General- Operation Maintenance	240,921 1,651	209,539 76	224,132 3,574	215,152 4,133	168,130 427	155,273 476	161,356 4,670	156,910 889	153,104 266	144,715 49
Pension and Benefits Other Postemployment Benefits Total Sewer Operation and Maintenance Expenses	201,470 (22,586) 3,674,618	171,561 5,692 4,115,969	164,898 51,239 3,716,310	156,120 50,758 3,233,396	96,463 52,487 2,979,879	105,611 51,865 2,894,764	124,571 70,695 3,071,160	131,652 69,741 2,769,158	152,018 94,255 2,855,298	127,048 91,691 2,842,982
Total Utility Operations and Maintenance Expenses	\$ 9,834,576	\$ 8,571,501	\$ 7,826,040	\$ 8,067,460	\$ 8,739,843	\$ 6,900,497	\$ 7,174,388	\$ 6,546,178	\$ 6,659,542	\$ 6,609,900

Schedule 5

Nonoperating Revenues and Expenses, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
								Restated		
WATER										
Investment and interest income	\$ 502,509	\$ 320,498	\$ 146,151	\$ 103,646	\$ 60,008	\$ 66,754	\$ 11,295	\$ 87,852	\$ 108,110	\$ 69,196
Merchandising and jobbing	(2,445)	(2,670)	4,553	(1,946)	(8,419)	(1,832)	5,190	(4,103)	(3,920)	(1,189)
Non-utility operations	-	-	-	-	-	-	-	-	(1,694)	(1,083)
Interest expense	(491,049)	(524,766)	(525,998)	(528,749)	(637,480)	(728,980)	(798,957)	(766,448)	(924,704)	(776,472)
Interest expense - Sewer Utility	(57,297)	(35,050)	(17,342)	(10,880)	(8,452)	(8,495)	(349)	-	-	-
Debt issuance costs	-	-	-	-	(84,521)	(10,500)	(7,000)	-	-	-
Amortization expense	(5,010)	458	(5,193)	932	(23,819)	(27,192)	(24,708)	(22,287)	(42,881)	(42,872)
Loss on capital asset retirements	-	-	(260,288)	-	-	-	-	-	-	-
Gain on sale of capital assets	18,580	-	-	-	-	13,128	-	-	-	-
Insurance proceeds	-	-	-	-	-	144,782	-	-	-	-
Federal Emergency Management Agency	-	-	-	-	-	-	-	-	-	5,897
Total Water Nonoperating Revenues and Expenses	(34,712)	(241,530)	(658,117)	(436,997)	(702,683)	(552,335)	(814,529)	(704,986)	(865,089)	(746,523)
SEWER										
Investment and interest income	181,072	119,775	58,509	39,849	21,792	22,890	13,088	38,793	33,887	16,082
Interest income - Water Utility	57,297	35,050	17,342	10,880	8,452	8,495	349	-	-	-
Rental income	-	-	-	-	-	-	-	99,000	264,000	232,750
Interest expense	-	-	-	-	-	-	-	-	(2,091)	(12,303)
Gain on sale of capital assets	-	-	-	-	-	-	60,000	301,130	-	-
Total Sewer Nonoperating Revenues and Expenses	238,369	154,825	75,851	50,729	30,244	31,385	73,437	438,923	295,796	236,529
Total Utility Nonoperating Revenues and Expenses	\$ 203,657	\$ (86,705)	\$ (582,266)	\$ (386,268)	\$ (672,439)	\$ (520,950)	\$ (741,092)	\$ (266,063)	\$ (569,293)	\$ (509,994)

Note: The year 2012 was restated to reflect the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, which required debt issuance costs to be expensed in the period incurred.

Schedule 6
Special Assessment Collections, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Current Assessments Due	\$ 64,949	\$ 80,695	\$ 84,192	\$ 263,814	\$ 21,278	\$ 21,935	\$ 14,009	\$ 11,589	\$ 75,847	\$ 173,429
Current Assessments Collected	64,949	80,695	84,192	263,814	21,278	21,935	16,678	56,807	75,847	173,429
SEWER										
Current Assessments Due	9,347	26,068	18,248	16,766	11,230	30,418	16,081	12,301	13,443	27,928
Current Assessments Collected	9,347	26,068	18,248	16,766	11,230	30,418	16,081	101,114	13,443	27,928

Notes: Current assessments due represent special assessment installments placed on the Primary Government's tax roll. Payment for these assessments are received no later than August from Milwaukee County pursuant to their settlement procedures.
For the year 2012, current assessments collected exceeds current assessments due since the Primary Government paid the Utility in advance for new 2012 assessments collected during 2012, in addition to the current assessments due.
For the year 2013, current assessments collected exceeds current assessments due for the Water Utility since a resident paid his/her current assessment in full prior to the due date.

Schedule 7

Utility Capital Assets, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Source of supply plant	\$ 7,064,286	\$ 7,064,286	\$ 7,064,286	\$ 7,226,702	\$ 7,226,702	\$ 6,220,959	\$ 6,221,734	\$ 6,221,734	\$ 6,221,734	\$ 6,276,327
Pumping plant	9,017,117	8,879,824	8,891,721	9,012,302	9,012,302	9,031,026	9,114,294	9,164,277	6,204,095	6,206,492
Water treatment plant	25,423,116	25,285,960	25,116,184	25,116,184	25,190,569	25,052,914	25,052,914	25,164,631	25,148,831	25,156,540
Transmission and distribution plant	74,431,070	70,825,069	68,939,050	67,830,154	66,813,531	60,497,748	59,412,718	58,404,221	57,921,012	57,825,961
General plant - intangible	69,544	-	-	-	-	-	-	-	-	-
General plant - other	4,868,958	4,845,209	4,883,883	4,897,245	4,807,670	4,811,027	4,797,762	4,846,061	5,003,535	5,040,116
Total Water Utility Capital Assets	120,874,091	116,900,348	114,895,124	114,082,587	113,050,774	105,613,674	104,599,422	103,800,924	100,499,207	100,505,436
SEWER										
Collecting system - intangible	16,175	-	-	-	-	-	-	-	-	-
Collecting system - pumping equipment	242,170	242,170	242,170	242,170	242,170	243,040	243,040	243,410	260,600	329,375
Collecting system - other	45,057,952	44,489,071	43,762,112	43,329,873	43,111,030	41,173,722	41,176,932	41,160,402	43,462,941	43,463,072
General plant	604,254	606,785	611,370	618,217	604,914	616,114	616,870	459,435	472,128	474,740
Total Sewer Utility Capital Assets	45,920,551	45,338,026	44,615,652	44,190,260	43,958,114	42,032,876	42,036,842	41,863,247	44,195,669	44,267,187
Total Utility Capital Assets	\$ 166,794,642	\$ 162,238,374	\$ 159,510,776	\$ 158,272,847	\$ 157,008,888	\$ 147,646,550	\$ 146,636,264	\$ 145,664,171	\$ 144,694,876	\$ 144,772,623

Schedule 8

Capital Contributions by Source, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Developer projects	\$ 702,373	\$ 1,450,248	\$ 628,624	\$ 566,560	\$ 2,008,341	\$ 119,564	\$ -	\$ 464,646	\$ -	\$ -
City TIF projects	258,245	-	-	-	-	-	-	-	-	-
State projects	444,972	398,934	-	-	-	-	-	-	-	-
Special assessments	-	-	23,491	104,972	378,390	1,300	-	97,320	-	-
Grant revenue	-	-	-	-	-	-	288,690	-	-	886,094
Individual water taps	29,000	13,250	41,500	4,750	3,500	4,985	1,250	4,500	-	1,000
Water connections	-	2,820	1,081	-	-	5,405	-	-	-	-
Equipment contributions	-	-	-	-	-	-	1,638	-	-	-
Total Water Capital Contributions	1,434,590	1,865,252	694,696	676,282	2,390,231	131,254	291,578	566,466	-	887,094
SEWER										
Developer projects	271,911	879,671	261,028	218,843	1,997,100	-	-	308,824	-	-
City TIF projects	8,804	-	-	-	-	-	-	-	-	-
Special assessments	1,429	-	14,780	-	5,537	-	-	151,387	-	-
Sewer connections	7,520	5,640	2,162	-	-	-	-	-	-	9,400
Equipment contributions	-	-	-	-	-	-	702	-	-	-
Total Sewer Capital Contributions	289,664	885,311	277,970	218,843	2,002,637	-	702	460,211	-	9,400
Total Utility Capital Contributions	\$ 1,724,254	\$ 2,750,563	\$ 972,666	\$ 895,125	\$ 4,392,868	\$ 131,254	\$ 292,280	\$ 1,026,677	\$ -	\$ 896,494

Notes: Developer projects include contributed infrastructure from the Primary Government and developers.
State projects include contributed infrastructure from the Wisconsin Department of Transportation.
Grant revenues consist of funds contributed through the American Recovery and Reinvestment Act Assistance, Safe Drinking Water Loan program principal forgiveness and the Focus on Energy program, which are designated for specific construction projects.

Schedule 9

Return on Rate Base, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Total plant in service - average	\$ 118,887,220	\$ 115,897,736	\$ 114,488,856	\$ 113,566,681	\$ 109,332,224	\$ 105,106,548	\$ 104,200,173	\$ 102,150,066	\$ 100,502,322	\$ 92,645,659
Less: Accumulated depreciation/ amortization - average	41,911,465	39,600,256	37,360,789	35,135,266	33,005,244	31,009,784	29,128,140	27,556,853	25,875,089	24,184,433
Add: Materials and supplies - average	73,767	75,458	79,335	70,037	63,682	57,230	60,252	69,015	65,662	58,936
Less: Adjustment for contributions	29,370,425	28,541,688	28,271,151	28,387,780	27,649,574	27,157,720	27,691,155	27,999,945	28,441,022	28,661,087
Average net rate base	47,679,097	47,831,250	48,936,251	50,113,672	48,741,088	46,996,274	47,441,130	46,662,283	46,251,873	39,859,075
Operating income per GAAP	428,683	2,229,131	2,437,010	1,713,092	691,815	2,164,392	1,933,562	1,637,111	684,107	638,656
Add: Adjustment to reconcile to the Public Service Commission of Wisconsin operating income	711,900	655,672	714,857	700,433	552,231	525,327	733,926	498,637	466,240	458,928
Net operating income per WPSC	1,140,583	2,884,803	3,151,867	2,413,525	1,244,046	2,689,719	2,667,488	2,135,748	1,150,347	1,097,584
Rate of Return	2.39%	6.03%	6.44%	4.82%	2.55%	5.72%	5.62%	4.58%	2.49%	2.75%
SEWER										
Utility plant in service - average	\$ 45,629,289	\$ 44,976,839	\$ 44,402,956	\$ 44,074,187	\$ 42,995,495	\$ 42,034,859	\$ 41,950,045	\$ 43,029,458	\$ 44,231,428	\$ 44,116,691
Less: Accumulated depreciation - average	12,234,200	11,879,400	11,512,728	11,018,335	10,561,799	10,113,656	9,721,463	9,703,430	9,600,098	9,134,171
Less: Adjustment for contributions	34,768,280	34,180,793	33,599,152	33,350,746	32,240,006	31,238,687	31,238,336	31,007,880	30,777,774	30,773,074
Average net rate base	(1,373,191)	(1,083,354)	(708,924)	(294,894)	193,691	682,516	990,246	2,318,149	3,853,556	4,209,446
Operating income (loss)	75,575	(408,578)	(324,467)	122,948	90,729	(183)	(179,048)	316,580	77,327	(134,473)
Rate of Return	-5.50%	37.71%	45.77%	-41.69%	46.84%	-0.03%	-18.08%	13.66%	2.01%	-3.19%

REVENUE CAPACITY

Schedule 10

Source of Supply, Pumping and Purchased Water Statistics, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Pumpage from surface water (in thousand gallons)	2,813,865	2,756,213	2,645,000	2,836,785	2,750,081	2,679,126	2,696,037	2,865,871	2,754,060	2,666,836
Volume sold (in thousand gallons)	2,524,173	2,503,934	2,441,595	2,542,693	2,580,869	2,461,439	2,490,701	2,686,974	2,595,711	2,503,570
Volume pumped, but not sold (in thousand gallons)	289,692	252,279	203,405	294,092	169,212	217,687	205,336	178,897	158,349	163,266
Percent billed	90%	91%	92%	90%	94%	92%	92%	94%	94%	94%
Volume not sold, but accounted for-										
Volume used for water production, water quality and system maintenance (in thousand gallons)	12,644	13,928	14,050	19,205	17,435	20,470	24,337	23,031	28,319	20,414
Volume related to equipment and system malfunction (in thousand gallons)	1,982	2,509	1,714	55,611	3,457	2,069	2,857	6,842	2,529	5,210
Total volume not sold, but accounted for (in thousand gallons)	14,626	16,437	15,764	74,816	20,892	22,539	27,194	29,873	30,848	25,624
Volume pumped, but unaccounted for (in thousand gallons)	275,066	235,842	187,641	219,276	148,320	195,148	178,142	149,024	127,501	137,642
Percent of Water Loss	10%	9%	7%	8%	5%	7%	7%	5%	5%	5%
Maximum day pumpage (in thousand gallons)	12,280	12,110	10,510	11,950	13,150	11,450	11,880	15,730	13,400	11,660
Minimum day pumpage (in thousand gallons)	4,130	4,540	5,650	4,710	5,610	5,210	5,750	5,650	4,820	5,070
Total KWH used for pumping	5,671,326	4,988,442	5,068,671	5,549,511	5,507,733	5,563,448	5,832,168	5,574,410	5,805,659	5,361,986

Notes: All sewage is collected by the Utility and distributed to Milwaukee Metropolitan Sewerage District for treatment. See Schedule 11 for gallons collected and sold.

Schedule 11

Customer and Sales Information, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Number of Customers-										
Residential	8,152	8,115	8,081	8,060	7,973	7,941	7,908	7,881	7,831	7,784
Commercial	1,039	1,024	1,000	976	996	986	982	981	973	959
Industrial	42	44	43	47	30	28	28	25	25	25
Public authority	31	31	30	28	61	59	58	58	57	57
Wholesale	2	2	2	2	2	2	2	2	2	2
Total Number of Customers	9,266	9,216	9,156	9,113	9,062	9,016	8,978	8,947	8,888	8,827
Gallons Sold (in thousands)-										
Residential	416,182	428,992	432,164	452,344	440,641	431,281	446,453	512,673	483,707	461,270
Commercial	474,023	466,142	477,702	469,412	459,522	448,438	428,891	464,651	526,210	691,384
Industrial	518,921	515,434	454,310	445,429	387,516	399,529	388,377	366,548	317,338	147,395
Public authority	13,327	13,915	14,407	14,769	23,424	18,646	21,822	25,102	20,471	20,888
Wholesale	1,101,720	1,079,451	1,063,012	1,160,739	1,269,766	1,163,545	1,205,158	1,318,000	1,247,985	1,181,633
Total Gallons Sold	2,524,173	2,503,934	2,441,595	2,542,693	2,580,869	2,461,439	2,490,701	2,686,974	2,595,711	2,502,570
Average Day Sales (in thousands)	6,916	6,860	6,689	6,966	7,071	6,744	6,824	7,362	7,112	6,856
Maximum Day Sales (in thousands)	12,280	12,110	10,510	11,950	13,150	11,450	11,880	15,730	13,400	11,660
Gallons Sold per Residential Customer										
(in thousands)	51.1	52.9	53.5	56.1	55.3	54.3	56.5	65.1	61.8	59.3
Chemical Costs for Production	\$ 155,348	\$ 149,989	\$ 136,299	\$ 158,458	\$ 162,984	\$ 151,673	\$ 159,996	\$ 163,948	\$ 185,784	\$ 222,359
Electric Power for Pumping	\$ 371,412	\$ 364,121	\$ 354,884	\$ 380,086	\$ 378,882	\$ 384,601	\$ 379,161	\$ 398,262	\$ 409,039	\$ 334,491
Total Direct Rate (5/8" and 3/4" meters)-										
Quarterly service charge	\$ 49.03	\$ 49.03	\$ 49.03	\$ 49.03	\$ 47.61	\$ 47.61	\$ 46.22	\$ 46.22	\$ 39.24	\$ 38.10
Usage rate (per thousand gallons)	\$ 3.39	\$ 3.39	\$ 3.39	\$ 3.39	\$ 3.29	\$ 3.29	\$ 3.19	\$ 3.19	\$ 2.71	\$ 2.63
SEWER										
Number of Customers-										
Residential	8,422	8,396	8,366	8,347	8,266	8,240	8,222	8,199	8,158	8,115
Commercial	987	973	949	923	943	934	931	930	922	907
Industrial	37	39	38	42	27	25	25	22	22	23
Public authority	30	30	29	28	60	58	57	57	56	56
Total Number of Customers	9,476	9,438	9,382	9,340	9,296	9,257	9,235	9,208	9,158	9,101
Gallons Collected (in thousands)-										
Residential	430,557	443,968	447,203	455,423	443,629	434,823	450,497	516,062	487,460	414,801
Commercial	449,242	446,470	443,330	429,981	419,967	411,290	394,967	432,161	405,906	391,768
Industrial	215,799	209,396	192,472	179,714	149,825	176,615	176,560	161,560	196,577	235,807
Public authority	12,887	13,176	13,390	12,491	20,536	17,183	20,913	22,800	18,546	19,486
Total Gallons Collected	1,108,485	1,113,010	1,096,395	1,077,609	1,033,957	1,026,786	1,042,992	1,132,583	1,108,489	1,061,862
Average Day Sales (in thousands)	3,037	3,049	3,004	2,952	2,833	2,813	2,858	3,103	3,037	2,909
Total Direct Rate (5/8" and 3/4" meters)-										
Quarterly service charge	\$ 27.38	\$ 26.84	\$ 25.24	\$ 24.75	\$ 26.93	\$ 27.04	\$ 26.58	\$ 27.05	\$ 27.67	\$ 25.00
Usage rate (per thousand gallons)	\$ 2.89	\$ 2.84	\$ 2.67	\$ 2.68	\$ 2.44	\$ 2.32	\$ 2.30	\$ 2.38	\$ 2.34	\$ 2.40

Note: The water quarterly service charge includes the Utility's public fire protection rate.

Schedule 12

Water Rates, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water Utility Rates-										
Quarterly service charge (by meter size)-										
5/8" & 3/4"	\$ 27.58	\$ 27.58	\$ 27.58	\$ 27.58	\$ 26.78	\$ 26.78	\$ 26.00	\$ 26.00	\$ 21.63	\$ 21.00
1"	41.38	41.38	41.38	41.38	40.17	40.17	39.00	39.00	33.99	33.00
1-1/4"	54.11	54.11	54.11	54.11	52.53	52.53	51.00	51.00	50.99	49.50
1-1/2"	81.69	81.69	81.69	81.69	79.31	79.31	77.00	77.00	64.89	63.00
2"	118.82	118.82	118.82	118.82	115.36	115.36	112.00	112.00	95.79	93.00
2-1/2"	163.38	163.38	163.38	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3"	207.94	207.94	207.94	207.94	201.88	201.88	196.00	196.00	169.95	165.00
4"	336.31	336.31	336.31	336.31	326.51	326.51	317.00	317.00	278.10	270.00
6"	659.88	659.88	659.88	659.88	640.66	640.66	622.00	622.00	556.20	540.00
8"	1,058.78	1,058.78	1,058.78	1,058.78	1,027.94	1,027.94	998.00	998.00	896.10	870.00
10"	1,564.83	1,564.83	1,564.83	1,564.83	1,519.25	1,519.25	1,475.00	1,475.00	1,328.70	1,290.00
12"	2,070.88	2,070.88	2,070.88	2,070.88	2,010.56	2,010.56	1,952.00	1,952.00	1,761.30	1,710.00
Volume Charge (per thousand gallons)-										
First 6,000 gallons used	\$ 3.39	\$ 3.39	\$ 3.39	\$ 3.39	\$ 3.29	\$ 3.29	\$ 3.19	\$ 3.19	\$ 2.71	\$ 2.63
Next 18,000 gallons used	2.61	2.61	2.61	2.61	2.53	2.53	2.46	2.46	1.99	1.93
Over 24,000 gallons used	2.09	2.09	2.09	2.09	2.03	2.03	1.97	1.97	1.50	1.46
Wholesale Charge (per thousand gallons used)										
	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.03	\$ 3.03	\$ 2.94	\$ 2.94	\$ 2.16	\$ 2.10
Public Fire Protection Rates-										
Quarterly service charge (by meter size)-										
5/8" & 3/4"	\$ 21.45	\$ 21.45	\$ 21.45	\$ 21.45	\$ 20.83	\$ 20.83	\$ 20.22	\$ 20.22	\$ 17.61	\$ 17.10
1"	53.47	53.47	53.47	53.47	51.91	51.91	50.40	50.40	43.57	42.30
1-1/4"	79.25	79.25	79.25	79.25	76.94	76.94	74.70	74.70	64.74	62.85
1-1/2"	107.25	107.25	107.25	107.25	104.13	104.13	101.10	101.10	87.45	84.90
2"	171.55	171.55	171.55	171.55	166.55	166.55	161.70	161.70	139.67	135.60
2-1/2"	246.50	246.50	246.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3"	321.45	321.45	321.45	321.45	312.09	312.09	303.00	303.00	262.65	255.00
4"	535.97	535.97	535.97	535.97	520.36	520.36	505.20	505.20	435.69	423.00
6"	1,071.93	1,071.93	1,071.93	1,071.93	1,040.71	1,040.71	1,010.40	1,010.40	874.47	849.00
8"	1,715.16	1,715.16	1,715.16	1,715.16	1,665.20	1,665.20	1,616.70	1,616.70	1,396.68	1,356.00
10"	2,572.58	2,572.58	2,572.58	2,572.58	2,497.65	2,497.65	2,424.90	2,424.90	2,095.02	2,034.00
12"	3,429.99	3,429.99	3,429.99	3,429.99	3,330.09	3,330.09	3,233.10	3,233.10	2,793.36	2,712.00

Note: The 2019 rates became effective June 6, 2016.

Schedule 13

Sewer Rates, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sewer Utility Rates-										
Quarterly service charge (by meter size)-										
5/8" & 3/4"	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
1"	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
1-1/4"	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
1-1/2"	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00
2"	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00
2-1/2"	57.00	57.00	57.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3"	69.00	69.00	69.00	69.00	69.00	69.00	69.00	69.00	69.00	69.00
4"	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
6"	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00
8"	303.00	303.00	303.00	303.00	303.00	303.00	303.00	303.00	303.00	303.00
10"	447.00	447.00	447.00	447.00	447.00	447.00	447.00	447.00	447.00	447.00
12"	591.00	591.00	591.00	591.00	591.00	591.00	591.00	591.00	591.00	591.00
Volume Charge (per thousand gallons used)	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69	\$ 0.69
Metropolitan Sewerage District Rates-										
Domestic strength customers-										
Metro volume charge (per thousand gallons used)	\$ 2.201584	\$ 2.152241	\$ 1.977825	\$ 1.990968	\$ 1.753133	\$ 1.632498	\$ 1.614778	\$ 1.685596	\$ 1.645106	\$ 1.713700
High strength customers-										
Volume rate (per thousand gallons used)	\$ 1.31058	\$ 1.25965	\$ 1.12748	\$ 1.11377	\$ 0.96079	\$ 0.88437	\$ 0.86507	\$ 0.81173	\$ 0.81861	\$ 0.82846
B.O.D. rate (per pound)	0.13062	0.13589	0.12730	0.11869	0.11781	0.10061	0.09992	0.09910	0.09120	0.12689
T.S.S. rate (per pound)	0.17931	0.17541	0.16289	0.16275	0.15807	0.15815	0.15924	0.15803	0.16142	0.14968
Metro connection charge-										
All customers (quarterly service charge)	\$ 8.11	\$ 7.59	\$ 6.00	\$ 5.43	\$ 7.56	\$ 7.67	\$ 7.46	\$ 7.95	\$ 8.37	\$ 5.88
Household hazardous waste charge-										
Residential customers only (quarterly service charge)	\$ 1.27	\$ 1.25	\$ 1.24	\$ 1.32	\$ 1.37	\$ 1.37	\$ 1.12	\$ 1.10	\$ 1.30	\$ 1.12

Note: The current Sewer Utility Rates became effective October 15, 2010.
The current Metropolitan Sewerage District Rates became effective January 1, 2019.

OAK CREEK WATER AND SEWER UTILITY

Schedule 14

Ten Largest Customers, Current Year and Nine Years Ago

Customer Occupation	Consumption (in Thousand Gallons)	Revenue	% of Total Operating Revenue
<u>FISCAL YEAR 2019 - WATER</u>			
Electric power plant	299,946	\$ 736,495	6.69%
Manufacturing - circuit boards	44,604	153,657	1.40%
Waste water treatment plant	33,621	130,792	1.19%
Manufacturing - resin and paint	37,129	129,089	1.17%
Manufacturing - pet food	35,886	116,036	1.05%
Apartment complex	17,157	105,455	0.96%
Laundry service	30,332	102,219	0.93%
Apartment complex	20,433	89,212	0.81%
Air separation plant	22,847	87,049	0.79%
Apartment complex	16,788	79,786	0.72%
Total Ten Largest Water Customers for 2019	<u>558,743</u>	<u>\$ 1,729,790</u>	<u>15.71%</u>
<u>FISCAL YEAR 2019 - SEWER</u>			
Laundry service	30,332	\$ 141,265	3.25%
Manufacturing - water	55,415	121,251	2.79%
Manufacturing - circuit boards	43,712	106,391	2.45%
Manufacturing - pet food	35,886	104,541	2.40%
Apartment complex	17,987	54,921	1.26%
Apartment complex	17,157	56,905	1.31%
Apartment complex	16,548	51,438	1.18%
Apartment complex	16,142	50,944	1.17%
Manufacturing - resin and paint	17,715	52,921	1.22%
Manufacturing - food products	10,342	40,345	0.93%
Total Ten Largest Sewer Customers for 2019	<u>261,236</u>	<u>\$ 780,922</u>	<u>17.96%</u>
<u>FISCAL YEAR 2010 - WATER</u>			
Electric power plant	275,637	\$ 480,243	6.04%
Manufacturing - circuit boards	41,625	103,725	1.31%
Manufacturing - resin and paint	39,073	103,084	1.30%
Waste water treatment plant	32,959	100,829	1.27%
Apartment complex	22,426	74,700	0.94%
Manufacturing - food products	12,935	38,709	0.49%
Education	5,336	32,986	0.42%
Air separation plant	10,994	32,094	0.40%
Apartment complex	9,737	33,416	0.42%
Mobile homes	9,947	28,538	0.36%
Total Ten Largest Water Customers for 2010	<u>460,669</u>	<u>\$ 1,028,324</u>	<u>12.95%</u>
<u>FISCAL YEAR 2010 - SEWER</u>			
Manufacturing - water	124,040	\$ 143,723	4.31%
Manufacturing - circuit boards	40,792	75,029	2.25%
Manufacturing - resin and paint	37,219	70,594	2.12%
Manufacturing - food products	7,320	67,945	2.04%
Apartment complex	15,910	38,680	1.16%
Manufacturing - food products	11,283	34,478	1.03%
Mobile homes	9,947	27,932	0.84%
Apartment complex	8,279	20,046	0.60%
Mobile homes	6,249	16,817	0.50%
Electric power plant	6,797	11,271	0.34%
Total Ten Largest Sewer Customers for 2010	<u>267,836</u>	<u>\$ 506,515</u>	<u>15.19%</u>

DEBT CAPACITY

Schedule 15

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Types of Debt-										
Revenue bonds - water	\$ 15,773,047	\$ 17,265,966	\$ 18,720,255	\$ 17,803,227	\$ 19,748,115	\$ 21,877,573	\$ 21,650,541	\$ 20,632,884	\$ 22,153,902	\$ 10,896,863
Revenue bond anticipation notes - water	-	-	-	-	-	-	-	-	-	12,500,000
General obligation debt - sewer	-	-	-	-	-	-	-	-	-	206,302
Unamortized premiums	2,496	10,439	23,850	47,926	86,195	39,100	54,646	72,676	93,127	132,710
Total Debt	\$ 15,775,543	\$ 17,276,405	\$ 18,744,105	\$ 17,851,153	\$ 19,834,310	\$ 21,916,673	\$ 21,705,187	\$ 20,705,560	\$ 22,247,029	\$ 23,735,875
Total Debt per Capita	N/A	\$ 483.40	\$ 527.11	\$ 507.05	\$ 570.10	\$ 631.42	\$ 625.51	\$ 599.64	\$ 644.84	\$ 728.09
Total Debt as a Share of Personal Income	N/A	\$ 529.24	\$ 617.86	\$ 602.31	\$ 674.68	\$ 784.50	\$ 788.05	\$ 780.69	\$ 861.05	\$ 898.81

N/A Not available

Notes: See Schedule 17 for population and personal income information.

Total Debt per Capita is total debt divided by the population of the City of Oak Creek.

Total Debt as a Share of Personal Income is total debt divided by the per capita personal income for the City of Oak Creek.

Schedule 16
Pledged-Revenue Coverage, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
WATER										
Gross Revenues (1)	\$ 11,535,521	\$ 11,314,113	\$ 10,977,436	\$ 10,977,864	\$ 10,772,072	\$ 10,467,857	\$ 10,203,460	\$ 9,580,208	\$ 8,437,832	\$ 8,020,196
Operating Expenses (2)	6,285,542	4,584,283	4,228,956	4,959,203	5,878,904	4,130,243	4,217,976	3,891,053	3,914,243	3,877,322
Net Revenue Available for Debt Service	5,249,979	6,729,830	6,748,480	6,018,661	4,893,168	6,337,614	5,985,484	5,689,155	4,523,589	4,142,874
Debt Service: (3)										
Principal	1,231,837	1,492,920	1,454,289	1,830,402	1,944,887	1,799,458	1,740,988	1,577,137	1,521,018	1,132,544
Interest	459,597	495,160	528,684	517,482	561,354	744,051	768,542	775,769	822,290	458,026
Total	1,691,434	1,988,080	1,982,973	2,347,884	2,506,241	2,543,509	2,509,530	2,352,906	2,343,308	1,590,570
Coverage	3.10	3.39	3.40	2.56	1.95	2.49	2.39	2.42	1.93	2.60
SEWER										
Gross Revenues (1)	\$ 4,587,669	\$ 4,459,308	\$ 4,055,006	\$ 4,011,744	\$ 3,669,999	\$ 3,517,487	\$ 3,488,226	\$ 3,822,636	\$ 3,885,828	\$ 3,585,891
Operating Expenses (2)	3,719,197	4,160,270	3,762,069	3,277,332	3,023,285	2,937,569	3,119,507	2,818,699	2,900,809	2,885,118
Net Revenue Available for Debt Service	868,472	299,038	292,937	734,412	646,714	579,918	368,719	1,003,937	985,019	700,773
Debt Service: (3)										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- (1) Total revenues
(2) Total operating expenses exclusive of depreciation and tax equivalent
(3) Subsequent year's debt service

Note: The Sewer Utility has no revenue bonds outstanding.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Schedule 17

Demographic and Economic Statistics, Last Ten Calendar Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Population (1)										
City of Oak Creek	N/A	35,739	35,560	35,206	34,791	34,710	34,700	34,530	34,500	32,600
City of Franklin	N/A	35,779	36,046	35,741	35,655	35,700	35,810	35,520	35,500	33,900
Milwaukee County	N/A	950,381	945,416	948,930	949,795	949,740	950,410	948,320	948,370	928,449
State of Wisconsin	N/A	5,816,231	5,783,278	5,775,028	5,753,324	5,732,980	5,717,110	5,703,530	5,694,240	5,693,619
Total Personal Income (1)										
City of Oak Creek	N/A	\$ 1,166,650,203	\$ 1,078,800,832	\$ 1,043,445,273	\$ 1,022,791,683	\$ 969,695,650	\$ 955,755,410	\$ 915,818,050	\$ 891,372,770	\$ 860,893,137
City of Franklin	N/A	1,387,644,109	1,347,878,092	1,346,060,081	1,286,727,609	1,252,194,890	1,199,623,750	1,218,584,060	1,098,257,160	1,085,585,506
Milwaukee County	N/A	24,501,019,938	22,944,629,585	23,084,801,158	22,736,850,309	21,375,906,370	21,299,226,330	20,325,223,240	19,613,282,100	19,020,322,037
State of Wisconsin	N/A	185,899,848,769	174,549,454,998	171,579,587,736	167,680,805,514	158,635,267,650	154,152,061,570	149,838,938,450	142,023,000,000	137,886,606,634
Per Capita Personal Income (1)										
City of Oak Creek	N/A	\$ 32,644	\$ 30,337	\$ 29,638	\$ 29,398	\$ 27,937	\$ 27,543	\$ 26,522	\$ 25,837	\$ 26,408
City of Franklin	N/A	38,784	37,393	37,662	36,088	35,075	33,500	34,307	30,937	32,023
Milwaukee County	N/A	25,780	24,269	24,327	23,939	22,507	22,411	21,433	20,681	20,486
State of Wisconsin	N/A	31,962	30,182	29,711	29,145	27,671	26,963	26,271	24,942	24,218
Unemployment Rates (2)										
City of Oak Creek	3.0%	2.7%	3.0%	3.7%	4.2%	4.9%	6.0%	6.2%	6.6%	7.4%
City of Franklin	3.2%	2.9%	3.3%	3.9%	4.5%	5.0%	5.7%	5.7%	6.2%	6.9%
Milwaukee County	4.0%	3.6%	4.0%	5.1%	5.8%	7.0%	8.3%	8.4%	9.0%	9.6%
State of Wisconsin	3.3%	3.0%	3.3%	4.1%	4.6%	5.5%	6.7%	6.9%	7.5%	8.3%

(1) Wisconsin Department of Revenue

(2) Wisconsin Department of Workforce Development

N/A Not available

OAK CREEK WATER AND SEWER UTILITY

Schedule 18

Principal Employers, Current Year and Nine Years Ago

Employer	Occupation	Approximate Employment	Total City Employment	Percentage of Total
<u>CALENDAR YEAR 2019</u>				
Milwaukee Area Technical College	Higher Education	1,291		6.35%
UPS	Parcel delivery	1,210		5.95%
Oak Creek - Franklin School District	Education	706		3.47%
PPG Industries, Inc.	Coating and resin products	560		2.75%
We Energies	Electrical power generation	480		2.36%
Reinhart Food Service, LLC	Wholesale food distributor	417		2.05%
Nordco, Inc.	Roadway work equipment	400		1.97%
Joseph Campione Inc.	Manufacturing - food products	400		1.97%
Grunau Co., Inc.	Fire protection and mechanical systems	350		1.72%
City of Oak Creek	Municipal government	341		1.68%
Total Principal Employers for 2019		<u>6,155</u>	<u>20,339</u>	<u>30.27%</u>
<u>CALENDAR YEAR 2010</u>				
UPS	Parcel delivery	1,274		6.93%
Oak Creek - Franklin School District	Education	673		3.66%
We Energies	Electrical power generation	534		2.91%
PPG Industries, Inc.	Coating and resin products	400		2.18%
City of Oak Creek	Municipal government	347		1.89%
Milwaukee Area Technical College	Higher Education	301		1.64%
Master Lock	Security systems; locks	246		1.34%
Woodman's Market	Retail grocery store	206		1.12%
Superior Die Set Corp.	Manufacturing of steel products	200		1.09%
Target	Retail department store	193		1.05%
Total Principal Employers for 2010		<u>4,374</u>	<u>18,379</u>	<u>23.81%</u>

Source of approximate employment: Milwaukee Area Technical College District Official Statement dated October 22, 2019, Oak Creek-Franklin Joint School District Official Statement dated May 17, 2019, and the City of Oak Creek.

Source of total City employment: Wisconsin's WORKnet website.

OPERATING INFORMATION

Schedule 19

Number of Employees by Identifiable Activity, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water Treatment Plant- Manager	1	1	1	1	1	1	1	1	1	1
Operators	9	9	9	9	9	9	9	9	9	9
Total Water Treatment Plant Employees	10	10	10	10	10	10	10	10	10	10
Water and Sewer Field Operations- Manager	1	1	1	1	1	1	1	1	1	1
Senior Utility Workers	3	3	3	2	2	2	2	2	2	2
Utility Service Workers	5	5	5	6	6	5	5	5	6	6
Total Water and Sewer Field Operations Employees	9	9	9	9	9	8	8	8	9	9
Engineering- Manager	1	1	1	1	1	1	1	1	1	1
Construction Coordinator	1	1	1	1	1	1	1	1	1	1
Engineering Technicians	2	2	2	2	2	2	2	2	2	2
Utility Locator	1	1	1	1	1	1	1	1	1	1
Total Engineering Employees	5	5	5	5	5	5	5	5	4	5
Administration- General Manager	1	1	1	1	1	1	1	1	1	1
Administrative Manager	1	1	1	1	1	1	1	1	1	1
Senior Accountant	1	1	1	1	1	1	1	1	1	1
Account Clerk/Confidential Secretary	1	1	1	1	1	1	1	1	1	1
Utility Clerk	1	1	1	1	1	1	1	1	1	1
Total Administrative Employees	5	5	5	5	5	5	5	5	5	5
Custodian	1	1	1	1	1	1	1	1	1	1
Total	30	30	30	30	30	29	29	29	29	30

Note: A full-time employee is defined as a an employee who is scheduled to work 2,080 hours per year, including paid time off.

Schedule 20

Operating and Capital Indicators, Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Date Created - September 23, 1960										
Service Area in Square Miles	83	83	83	83	83	83	83	83	83	83
Number of Customers	9,650	9,618	9,566	9,508	9,454	9,410	9,385	9,359	9,311	9,253
Number of Retail Customers Outside Municipal Boundary	-	-	-	-	-	-	-	-	-	-
Water System-										
Miles of Watermain	196	194	192	191	190	185	185	184	184	184
Production capacity (MGD)	35	35	35	35	35	35	35	35	35	28
Storage capacity (MG)	6.70	6.70	6.70	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Number of towers and reservoirs	3	3	3	4	4	4	4	4	4	4
Number of Fire Hydrants	2,274	2,247	2,225	2,211	2,189	2,128	2,119	2,109	2,107	2,107
Sales in Thousands of Gallons	2,524,173	2,503,934	2,441,595	2,542,693	2,580,869	2,461,439	2,490,701	2,686,974	2,595,711	2,502,570
Lake Michigan Surface Water Intakes-										
30 Inch Diameter Intake-										
Depth - 18 ft.										
Length - 3,000 ft.										
60 Inch Diameter Intake-										
Depth - 31 ft.										
Length - 7,500 ft.										
Sewer System-										
Miles of Sanitary Sewer Main	163	162	162	161	159	159	159	159	159	159
Lift Stations	3	3	3	3	3	3	3	3	3	3
Sales in Thousands of Gallons	1,108,485	1,113,010	1,096,395	1,077,609	1,033,957	1,026,786	1,042,992	1,132,583	1,108,489	1,061,862
Field Operations-										
New meters installed	57	64	75	63	53	39	39	62	65	72
Electronic meter head replacements	518	523	552	325	796	768	2,533	3,191	963	443
Meter batteries replaced	-	-	-	-	-	-	-	-	-	-
Water meters tested/exchanged	1,052	1,203	1,194	554	544	1,034	2,870	6,559	1,002	471
Cross connection inspections	855	979	728	661	1,115	1,386	3,128	3,737	1,653	1,084
Water valves operated	1,202	1,138	1,798	2,809	485	446	673	101	977	1,269
Hydrants flushed	2,160	2,169	2,164	2,093	2,135	2,070	2,070	2,070	2,069	2,069
Sanitary sewer cleaned (in feet)	179,105	153,026	158,939	203,910	214,240	174,887	159,988	143,388	156,465	156,465
Sanitary sewer televised (in feet)	90,720	97,142	72,972	106,603	149,670	180,932	166,289	149,840	145,691	145,691

Note: MGD represents millions of gallons per day.