

**CITY OF MILWAUKEE – WATER WORKS**

Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

# CITY OF MILWAUKEE – WATER WORKS

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## Independent Auditors' Report

To the Common Council of  
City of Milwaukee - Water Works

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the City of Milwaukee - Water Works (Water Works), an enterprise fund of the City of Milwaukee, WI, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the Water Works as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water Works and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As discussed in Note 1, the financial statements of the Water Works of the City of Milwaukee, WI, are intended to present the financial position, the changes in the financial position and cash flows of only the Water Works. They do not purport to, and do not, present fairly the financial position of the City of Milwaukee, WI, as of December 31, 2021, and 2020, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, 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.



Milwaukee, Wisconsin  
July 15, 2022

## CITY OF MILWAUKEE – WATER WORKS

### Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

The management of the City of Milwaukee – Water Works (MWW) offers readers of the organization’s financial statements this narrative overview and analysis of the Water Works’ financial statements for the fiscal years ended December 31, 2021 and 2020. Readers are encouraged to consider the information presented here in conjunction with the financial information.

The mission of the Water Works is to provide safe, reliable, and aesthetically pleasing drinking water to the City of Milwaukee and customers in suburban communities.

### **Financial Highlights**

#### ***Year ended December 31, 2021***

- Total revenues decreased by 0.27% in 2021, from \$103.97 million in 2020 to \$103.69 million in 2021.
- Total expenses increased by 4.92% in 2021, from \$84.7 million in 2020 to \$88.8 million in 2021.
- As of December 31, 2021, the Water Works’ outstanding debt consisted of \$101.2 million in revenue bonds, through the State of Wisconsin Safe Drinking Water Loan Program.

The Water Works is an enterprise fund within the primary government of the City of Milwaukee and as such is not subject to property taxes. In place of property taxes, the Water Works contributes to the City’s tax levy by making a payment in lieu of taxes (PILOT). The PILOT was \$13.5 million in 2021 and \$13.5 million in 2020 and is reported in the accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position as transfers out.

#### ***Year ended December 31, 2020***

- Total revenues increased by 0.56% in 2020, from \$103.40 million in 2019 to \$103.97 million in 2020.
- Total expenses increased by 12.00% in 2020, from \$75.6 million in 2019 to \$84.7 million in 2020.
- As of December 31, 2020, the Water Works’ outstanding debt consisted of \$77.1 million in revenue bonds, through a combination of the State of Wisconsin Safe Drinking Water Loan Program and conventional revenue bonds, and \$4.9 million in general obligation bonds for a total of \$82.0 million.

# CITY OF MILWAUKEE – WATER WORKS

## Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the financial statements of the Water Works. The financial statements include two components: 1) the financial statements and 2) notes to the financial statements, which explain in more detail some of the information in the financial statements.

### **Required Financial Statements**

The financial statements report information about the Water Works using accounting methods similar to those used by private sector companies. These statements provide both long-term and short-term information about the Water Works’ overall financial status.

The statement of net position presents information on all of the Water Works’ assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This statement provides information about the nature and the amounts of investments in resources (assets and deferred outflows of resources) and the obligations to Water Works’ creditors (liabilities and deferred inflows of resources). It provides one way to measure financial health by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Water Works. However, one will need to consider other nonfinancial factors, such as changes in economic conditions, population and industrial/commercial customer growth, and new or changed government legislation.

All of the current year’s revenues and expenses are accounted for in the statement of revenues, expenses, and changes in fund net position. This statement measures the results of operations over the past year and can be used to determine whether the Water Works has successfully recovered all of its costs through user fees and other charges.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital financing and non-capital financing, and investing activities. This statement identifies sources and uses of cash, as well as the change in the cash balance during the reporting period.

**CITY OF MILWAUKEE – WATER WORKS**

Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

**Financial Analysis of the Water Works**

***Statement of Net Position***

A summary of assets, liabilities, and net position as of December 31, 2021, 2020, and 2019 is as follows:

**Table A-1**

**Condensed Summary of Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	\$ 103,664,002	\$ 79,131,112	\$ 65,166,476
Net capital assets	<u>549,281,011</u>	<u>543,517,970</u>	<u>535,560,180</u>
Total assets	<u>652,945,013</u>	<u>622,649,082</u>	<u>600,726,656</u>
Deferred outflows of resources	<u>13,422,338</u>	<u>18,366,361</u>	<u>21,090,029</u>
Liabilities:			
Current liabilities	25,407,151	21,630,490	20,794,800
Noncurrent liabilities	<u>164,102,369</u>	<u>147,426,845</u>	<u>136,281,203</u>
Total liabilities	<u>189,509,520</u>	<u>169,057,335</u>	<u>157,076,003</u>
Deferred inflows of resources	<u>9,903,421</u>	<u>6,464,413</u>	<u>5,564,132</u>
Net Position:			
Net investment in capital assets	448,050,286	461,494,974	464,449,263
Restricted for debt service	3,724,309	2,623,934	1,729,638
Unrestricted net position	<u>15,179,815</u>	<u>1,372,787</u>	<u>(7,002,351)</u>
Total net position	\$ <u><u>466,954,410</u></u>	\$ <u><u>465,491,695</u></u>	\$ <u><u>459,176,550</u></u>

Net position may, over time, serve as a useful indicator of an entity’s financial position. In the case of the Water Works, assets exceeded liabilities by \$467.0 million and \$465.5 million at December 31, 2021 and 2020, respectively, showing a 0.3% increase from 2020.

In Table A-1, it can be seen that the largest portion of the Water Works’ net position, 96%, and 99% as of December 31, 2021 and 2020, respectively, reflects the net investment in capital assets (e.g., water mains, buildings, machinery and equipment). Also, as shown in Table A-3, the Water Works’ water main system makes up approximately 61% and 60% of the capital assets as of December 31, 2021 and December 31, 2020, respectively. The Water Works uses these capital assets to provide safe, reliable, and aesthetically pleasing drinking water to its 864,000 customer base that lives in the City of Milwaukee and surrounding communities.

## CITY OF MILWAUKEE – WATER WORKS

### Management's Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

#### **Financial Analysis of the Water Works (Continued)**

##### ***Statement of Net Position (Continued)***

The Water Works' net investment in capital assets is reported net of related debt. The resources to repay this debt must be provided from operating and nonoperating activities as the capital assets themselves are not intended to be used to liquidate these liabilities.

Unrestricted net position of the Water Works represents current assets such as cash on hand for operation, cash held in local government investment pool, accounts receivable, and inventory of materials. Unrestricted net position changed to \$15.2 million in 2021 from \$1.4 million in 2020.

As can be seen in Table A-1, net investment in capital assets decreased by \$13.4 million and decreased \$3.0 million during the years ended December 31, 2021 and 2020, respectively. The decrease in net investment in capital assets in 2021 is mainly due to an increase in capital assets from \$543.5 million in 2020 to \$549.3 million in 2021, offset by an increase in debt from 82.0 million in 2020 to \$101.2 million in 2021. Also, in 2021, \$19.8 million water mains were added to the system along with \$4.1 million service lines.

The decrease in net investment in capital assets in 2020 is mainly due to an increase in capital assets, from \$535.6 million in 2019 to \$543.5 million in 2020, offset by an increase in debt, from \$71.1 in 2019 to \$82.0 million in 2020. In 2020, \$49.0 million water mains were added to the system along with \$4.1 million service lines.

MWW's increased water main replacement program to meet the PSC's mandate introduced in 2017 constitutes a significant portion of the increases in capital assets both in 2021 and 2020. The PSC required MWW to replace 18 miles of main in 2019 and 2018. Requirement increases to 20 miles in year 2020 and thereafter.

# CITY OF MILWAUKEE – WATER WORKS

## Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

### Statement of Revenues, Expenses, and Changes in Net Position

While the summary of net position (Table A-1) shows the amount of net position, as of the end of each respective year, the summary of revenues, expenses, and changes in fund net position (Table A-2) exhibits the nature and source of the changes.

**Table A-2**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue	\$ 99,731,262	\$ 98,587,393	\$ 99,015,405
Nonoperating revenue	<u>3,966,109</u>	<u>5,384,051</u>	<u>4,380,007</u>
Total revenues	<u>103,697,371</u>	<u>103,971,444</u>	<u>103,395,412</u>
Deprecation expense	21,249,349	20,484,602	19,639,442
Other operating expenses	62,200,188	59,385,065	50,809,903
Nonoperating expenses	<u>5,375,029</u>	<u>4,780,372</u>	<u>5,133,666</u>
Total expenses	<u>88,824,566</u>	<u>84,650,039</u>	<u>75,583,011</u>
Income before capital contributions and transfers	14,872,805	19,321,405	27,812,401
Capital contributions	48,910	493,741	410,927
Transfers to the City of Milwaukee	<u>(13,459,000)</u>	<u>(13,500,001)</u>	<u>(13,300,000)</u>
Changes in net position	1,462,715	6,315,145	14,923,328
Net position - beginning of year	465,491,695	459,176,550	444,253,222
Net position - end of year	<u>\$ 466,954,410</u>	<u>\$ 465,491,695</u>	<u>\$ 459,176,550</u>

## CITY OF MILWAUKEE – WATER WORKS

### Management's Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

#### *Year ended December 31, 2021*

A review of Table A-2 shows that total revenues decreased by \$0.3 million, or 0.3% in 2021 and total expenses increased by \$4.2 million, or 4.9%. These results may be explained as follows:

#### *Revenues*

- Operating revenues increased by \$1.1 million in 2021. During 2020 (year of COVID), penalties were suspended. In 2021, charges for penalties were resumed, which resulted in \$1.6 million additional revenue. Table A-4 shows the sale of water (in million gallons) for the last five years. According to this table, the total sale of water to all customer classes has dropped by 1.6 billion gallons or 5.6% from 2017. The decline in sales to some customer classes may show slight fluctuations over the years but the overall trend is a decline in consumption thereby affecting operating revenue. 2021 was the first year, in the last twenty years, that consumption was basically flat with the prior year.
- Nonoperating revenues for MWW typically consist of rental income from antenna contracts, and also include miscellaneous fees for service and branch tapping, interest income and other revenues such as from sale of nonutility properties. In 2021 and 2020, MWW received Lead Service Line (LSL) replacement grants from the City of Milwaukee and the Department of Natural Resources (DNR) as a reimbursement of LSL expenses and principal forgiveness loans, respectively. Nonoperating revenues for 2021 decreased by \$1.4 million or 26.5% over 2020. This decrease is the result of the elimination of the \$1.2 million COVID grants received in 2020 offset by an increase of \$0.3 million lead service line replacement grants and reduction with other miscellaneous revenue.

#### *Expenses*

- Operating expenses, excluding depreciation, increased by 4.7% to \$62.2 million in 2021, from \$59.4 million in 2020.
  - Administration and general expenses decreased by \$1.4 million or 8.8% to \$13.9 million in 2021, from \$15.3 million in 2020. This was driven by reduction in the \$1.4 million COVID expense.
  - Transmission and distribution expense increased by \$2.0 million or 9.5% to \$23.1 million in 2021, from \$21.1 million in 2020. This was driven by increased cross connection charges and increase in water main breaks.
  - Water treatment expense increased by \$0.4 million or 2.8% to \$12.9 million in 2021, from \$12.5 million in 2020. This was due to the increase in chemicals.
  - There were 428 and 316 water main breaks in 2021 and 2020 respectively.

## CITY OF MILWAUKEE – WATER WORKS

### Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

- Nonoperating expenses, in addition to interest expense, include LSL expenditures that are reimbursed by the City or the DNR which are accounted for as nonoperating expenses and these expenditures amounted to \$3.5 million in 2021 and \$3.2 million in 2020. Interest expense, increased by \$0.2 million or 14% from 2020 due to paying off more debt in 2021.

#### *Year ended December 31, 2020*

A review of Table A-2 shows that total revenues increased by \$0.6 million, or 0.6% in 2020 and total expenses increased by \$9.1 million, or 12.0%. These results may be explained as follows:

#### *Revenues*

- Operating revenues decreased by \$0.4 million in 2020. Even though there was a 3% Simplified Rate Increase reflected in three-quarters of 2020, this was offset by the continued drop in water sales. Table A-4 shows the sale of water (in million gallons) for the last five years. According to this table, the total sale of water to all customer classes has dropped by 2.3 billion gallons or 7.7% from 2016. The decline in sales to some customer classes may show slight fluctuations over the years but the overall trend is a decline in consumption thereby affecting operating revenue.
- Nonoperating revenues for MWW typically consist of rental income from antenna contracts, and also include miscellaneous fees for service and branch tapping, interest income and other revenues such as from sale of nonutility properties. However, in 2020 and 2019, MWW received Lead Service Line (LSL) replacement grants from the City of Milwaukee and the Department of Natural Resources (DNR) as a reimbursement of LSL expenses and principal forgiveness loans, respectively. Nonoperating revenues for 2020 increased by \$1.0 million or 22.9% over 2019. This increase is the result of \$0.2 million reduced lead service line replacement grants and \$1.2 million COVID grants received in 2020 offset by a decrease in miscellaneous revenue.

#### *Expenses*

- Operating expenses, excluding depreciation, increased by 16.9% to \$59.4 million in 2020, from \$50.8 million in 2019.
  - Administration and general expenses increased by \$7.5 million or 96.2% to \$15.3 million in 2020, from \$7.8 million in 2019. This was driven by an increase in OPEB expense of \$1.1 million, Pension expense \$5.8 million and \$1.4 million COVID expense.
  - Transmission and distribution expense increased by \$1.8 million or 9.6% to \$21.1 million in 2020, from \$19.3 million in 2019. This was driven by a water main projects closed in 2020.

## CITY OF MILWAUKEE – WATER WORKS

### Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

- Water treatment expense decreased by \$1.1 million or 8.1% to \$12.5 million in 2020, from \$13.6 million in 2019. This was due to the North Point tunnel inspection in 2019.
- There were 316 and 553 water main breaks in 2020 and 2019 respectively.
- Nonoperating expenses, in addition to interest expense, include LSL expenditures that are reimbursed by the City or the DNR which are accounted for as nonoperating expenses and these expenditures amounted to \$3.2 million in 2020 and \$3.6 million in 2019. Interest expense, increased by \$0.2 million or 16% from 2019 due to paying off more debt in 2020.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

The Water Works calculates depreciation based on composite groups of assets within a given category and the average useful life. These categories are building and improvements, transmission and distribution system, and machinery and equipment. Each group’s depreciation is then calculated using a rate authorized by the latest Public Services Commission of Wisconsin (PSC) rate order.

As of December 31, 2021, the Water Works investment in capital assets, net of accumulated depreciation increased by \$5.8 million or 1.1% to \$549.3 million. Transmission and distribution system assets increased \$23.9 million or 4.8% due to installation of water mains \$19.8 million and services \$4.1 million. Machinery and equipment increased by \$5.9 million or 2% due to hydrant installation \$1.5 million, Automated Meter Reading (AMR) equipment \$2.3 million and general transportation equipment \$1.0 million. Construction in progress decreased by \$7.0 million due to capitalization timing.

As of December 31, 2020, the Water Works investment in capital assets, net of accumulated depreciation, increased by \$8.0 million or 1.5% to \$543.5 million. Transmission and distribution system assets increased \$53.6 million or 11.6% due to installation of water mains \$49.0 million and services \$4.1 million. Machinery and equipment increased by \$7.7 million or 2.8% due to hydrant installations \$4.4 million Automated Meter Reading (AMR) equipment \$2.6 million and general transportation equipment \$1.1 million. Construction in progress decreased by \$39.0 million due to capitalization timing.

## CITY OF MILWAUKEE – WATER WORKS

### Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

### Table A-3

#### Capital Assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital assets:			
Land	\$ 1,415,398	\$ 1,415,398	\$ 1,415,398
Buildings	31,524,607	31,093,958	31,093,958
Transmission and distribution system	540,496,637	516,855,037	463,294,576
Machinery and equipments	293,827,651	287,897,962	280,161,473
Construction in progress	11,142,899	18,206,101	57,213,517
Nonutility property	4,293,160	4,293,160	4,293,160
Total capital assets	882,700,352	859,761,616	837,472,082
Less accumulated depreciation	<u>(333,419,341)</u>	<u>(316,243,646)</u>	<u>(301,911,902)</u>
Net capital assets	<u>\$ 549,281,011</u>	<u>\$ 543,517,970</u>	<u>\$ 535,560,180</u>

#### ***Investment Administration***

As an enterprise fund within the primary government of the City of Milwaukee, the Water Works does not have a direct investment plan. As such, cash not in use for day-to-day operation is invested through the City of Milwaukee, primarily in the State of Wisconsin’s LGIP and/or other types of investment instruments as determined by the City Treasurer. As of December 31, 2021 and 2020, the City Treasurer held cash and cash equivalents of \$71.9 million and \$45.5 million, respectively, on behalf of the Water Works that consisted of LGIP investments and cash accounts.

#### ***Debt Administration***

Debt service is administered by the Public Debt Commission and can only be initiated through Council resolution with approval from the Commissioner of Public Works (or his designee, the Superintendent of Water Works).

The Water Works continues to make its regularly scheduled payments on its bonds per the amortization schedule for each bond.

As of December 31, 2021 and 2020, the Water Works debt consisted of \$101.2 million and \$77.1 million, respectively, in revenue bonds through the State of Wisconsin Safe Drinking Water Loan program and a conventional revenue bond that the Milwaukee Water Works issued in 2016. In addition, Milwaukee Water Works eliminated the general obligation bonds in 2021 but had \$4.9 million in 2020. Total indebtedness of \$101.2 million and \$82.0 million, as of December 31, 2021 and 2020, respectively.

## CITY OF MILWAUKEE – WATER WORKS

### Management’s Discussion and Analysis

December 31, 2021 and 2020

(Unaudited)

#### **Economic Factors**

Total volume of water sold increased by 72 million gallons and decreased by 613 million gallons in 2021 and 2020, respectively. This is the first increase, albeit modest, in nine years. As shown in Table A-4, from 2020 to 2021, volumes of water sold to residential and wholesalers decreased. All other customer classes increased. Year-over year, the residential had the highest decrease with a decline of 204 million gallons, followed by wholesaler customer class with a 70 million gallons decrease.

It should also be noted that volume of water sold to all customers dropped by 5.6% or 1.6 billion gallons over the last five years, including 2021. Table A-5 shows, graphically, the volume of water sold to different categories of customers over the last 20 years. As can be observed in the graph, even though there had been a continuing decline in the sale of water to all customer categories over the 20-year period, it seems to have leveled out almost for all customer classes the last four years, with the exception of the shift that took place between residential and commercial customer classes in 2016 caused by reclassification of accounts. In 2016, some multi-family customer accounts were reclassified from commercial to residential category per a PSC mandate.

Milwaukee Water Works entered into a 40-year water sale agreement with the Waukesha Water Utility in 2017, and amended in 2020, to become Waukesha’s wholesale water provider. Water service is expected to commence in 2023, with an estimated annual revenue of approximately \$3 million at an initial rate of \$1.49 per thousand gallons for 6 million gallons daily. The initial rate in the Agreement will be updated to reflect rate increases approved by the PSC between the date of the executed 2020 amendment and the commencement of service. Water sales to Waukesha is projected to grow to 8.2 million gallons daily over the term of the agreement. In preparation for the connection, MWW has agreed to extend a transmission main and replace an existing pumping station with additional capacity to serve Waukesha. In 2018, MWW began the design phase of the project and in late 2019, submitted to the PSC an application for construction authorization. On October 2, 2020, PSC of Wisconsin approved the application. The updated estimated capital costs of the facilities are \$22.6 million, of which Waukesha is contributing \$8.3 million and of which MWW’s \$14.3 million will primarily be incurred in 2022 and 2023.

# CITY OF MILWAUKEE – WATER WORKS

## Management’s Discussion and Analysis

December 31, 2021 and 2020

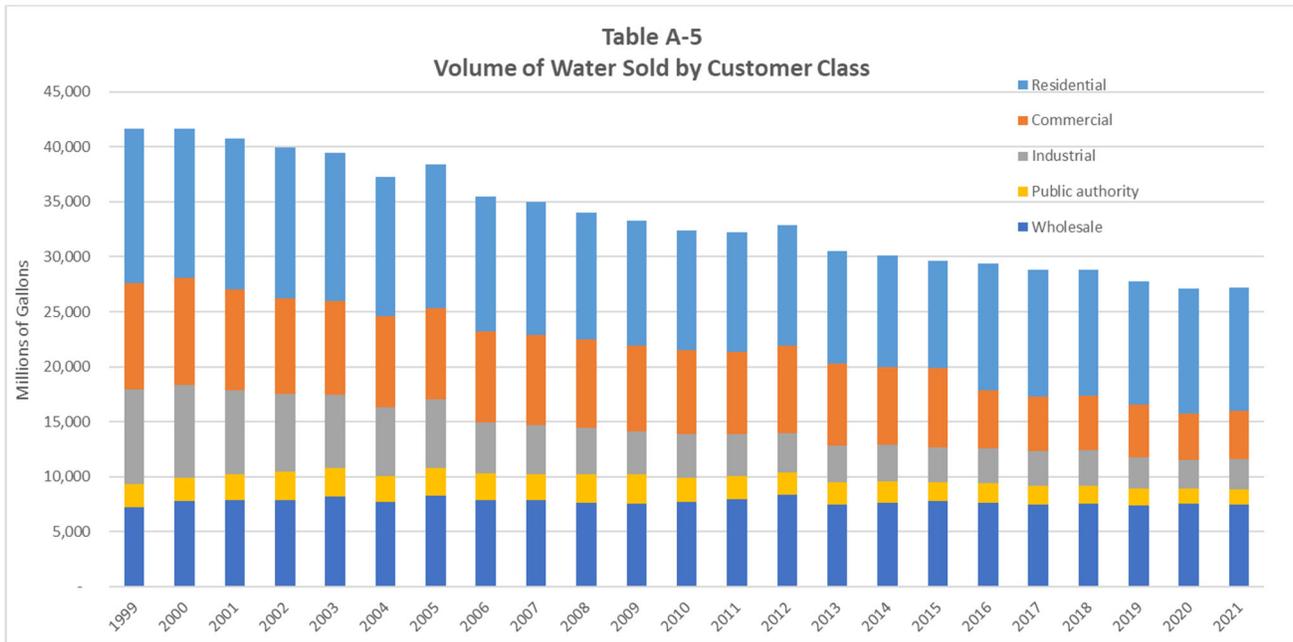
(Unaudited)

### Economic Factors (Continued)

**Table A-4**

**Sale of Water**  
(In millions of gallons)

	2021	2020	2019	2018	2017
Customer class:					
Residential	11,198	11,402	11,211	11,417	11,536
Commercial	4,389	4,192	4,791	4,982	4,996
Industrial	2,754	2,621	2,860	3,232	3,160
Public authority	1,436	1,421	1,529	1,622	1,697
Subtotal	19,777	19,636	20,391	21,252	21,388
Wholesale	7,443	7,513	7,370	7,533	7,449
Total	27,220	27,148	27,761	28,785	28,837



### Contacting Water Works Financial Management

This financial report is designed to provide a general overview of the Water Works’ finances to its customers, creditors, and anyone who has an interest in the Water Works’ operations. If you have questions about this report or need additional information, contact the Water Works’ Acting Superintendent, Patrick Pauly or Water Accounting Manager, Terry Ignatowski, 841 N. Broadway, Room 409, Milwaukee, Wisconsin 53202.

## CITY OF MILWAUKEE – WATER WORKS

Statements of Net Position  
December 31, 2021 and 2020

	2021	2020
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 68,185,923	\$ 42,623,872
Restricted cash and cash equivalents	3,724,309	2,853,116
Accounts receivable, net	14,258,629	14,575,224
Unbilled accounts receivable	13,900,443	13,699,111
Due from other funds	-	1,015,354
Inventory of materials and supplies	3,448,212	3,407,942
Prepaid items	137,000	938,279
Other assets	9,486	18,214
Total current assets	103,664,002	79,131,112
Noncurrent assets:		
Water plant in service, net	535,460,712	522,495,323
Construction work in process	11,142,899	18,206,101
Other property, net	2,677,400	2,816,546
Total noncurrent assets	549,281,011	543,517,970
Total assets	652,945,013	622,649,082
Deferred outflow of resources		
Pension deferred outflows	5,580,516	8,263,787
OPEB deferred outflows	7,841,822	10,102,574
Total deferred outflow of resources	13,422,338	18,366,361
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	12,769,918	11,252,711
Interest payable	322,324	288,778
Accrued wages	1,108,436	1,072,626
Compensated absences	2,133,778	2,328,254
Due to other funds	5,030,083	2,029,346
Long-term debt due within one year	4,042,612	4,660,775
Total current liabilities	25,407,151	21,632,490
Noncurrent liabilities:		
General obligation bonds payable	-	3,875,000
Revenue bonds payable	97,188,113	73,487,221
Net pension liability	18,535,000	16,365,000
Total Other Post Employment Benefits liability (TOL)	48,379,256	53,699,624
Total noncurrent liabilities	164,102,369	147,426,845
Total liabilities	189,509,520	169,059,335
Deferred inflow of resources		
Pension deferred inflows	3,342,000	4,865,000
OPEB deferred inflows	6,561,421	1,599,413
State deferred grant	-	-
Total deferred inflow of resources	9,903,421	6,464,413
<b>Net position:</b>		
Net investment in capital assets	448,050,286	461,494,974
Restricted for debt service	3,724,309	2,623,934
Unrestricted (deficit)	15,179,815	1,372,787
Total net position	\$ 466,954,410	\$ 465,491,695

See accompanying notes to financial statements.

## CITY OF MILWAUKEE – WATER WORKS

Statements of Revenues, Expenses, and Changes in Fund Net Position  
Years ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Operating revenues:		
Water sales	\$ 80,992,501	\$ 81,012,731
Fire protection service	9,687,809	9,639,597
Charges for shared services	6,122,568	6,667,388
Other	2,928,384	1,267,677
Total operating revenues	99,731,262	98,587,393
Operating expenses:		
Administrative and general	13,937,214	15,287,423
Billing and collection	3,141,209	3,177,710
Transmission and distribution	23,108,163	21,103,036
Water pumping	9,142,457	7,300,337
Water treatment	12,871,145	12,516,559
Depreciation	21,249,349	20,484,602
Total operating expenses	83,449,537	79,869,667
Operating income	16,281,725	18,717,726
Nonoperating revenues (expenses):		
Interest income	8,741	-
Interest expense	(1,839,410)	(1,621,238)
Miscellaneous	421,749	452,832
Noncapital construction grants	3,535,619	4,931,219
Noncapital construction expenses	(3,535,619)	(3,159,134)
Total nonoperating expenses, net	(1,408,920)	603,679
Income before capital contributions and transfers	14,872,805	19,321,405
Capital contributions	48,910	493,741
Transfers out	(13,459,000)	(13,500,001)
Increase (decrease) in net position	1,462,715	6,315,145
Net position – beginning of year	465,491,695	459,176,550
Net position – end of year	\$ 466,954,410	\$ 465,491,695

See accompanying notes to financial statements.

## CITY OF MILWAUKEE – WATER WORKS

### Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers and users	\$ 94,154,433	\$ 93,603,425
Receipts from interfund services provided	6,122,568	6,667,388
Payments to suppliers	(30,639,756)	(31,782,008)
Payments to employees	(21,000,658)	(20,245,747)
Payments (to) from other funds	1,015,354	123,353
Net cash provided by operating activities	49,651,941	48,366,411
Cash flows from noncapital financing activities:		
Miscellaneous nonoperating revenue (expense)	-	(699,114)
Noncapital construction expenditures	(3,535,619)	(3,159,134)
Noncapital reimbursements	3,535,619	4,931,219
Interfund transfers	(13,459,000)	(13,500,001)
Net cash provided by noncapital financing activities	(13,459,000)	(12,427,030)
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(27,170,307)	(28,288,538)
Proceeds from bonds, notes, and revenue bonds	27,989,962	19,974,509
Retirement of bonds, notes, and revenue bonds	(8,754,756)	(9,033,419)
Contributions received for construction	-	63,507
Interest paid	(1,833,341)	(1,606,056)
Net cash used in capital and related financing activities	(9,768,442)	(18,889,997)
Cash flows from investing activity:		
Interest income	8,741	-
Net cash provided by investing activity	8,741	-
Net increase (decrease) in cash and cash equivalents	26,433,240	17,049,384
Cash and cash equivalents – beginning of year	45,476,988	28,427,604
Cash and cash equivalents – end of year	\$ 71,910,228	\$ 45,476,988
Cash and cash equivalents at year-end consist of:		
Unrestricted cash and cash equivalents	\$ 68,185,923	\$ 42,623,872
Restricted cash and cash equivalents	3,724,309	2,853,116
Total cash and cash equivalents	\$ 71,910,232	\$ 45,476,988

See accompanying notes to financial statements.

**CITY OF MILWAUKEE – WATER WORKS**

Statements of Cash Flows  
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by		
operating activities:		
Operating income	\$ 16,281,724	\$ 18,717,726
Non-operating income	421,749	452,832
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Depreciation	21,249,349	20,484,602
Effect of changes in assets, deferred outflows of		
resources, liabilities, and deferred inflows of resources:		
Receivables	115,263	2,766,822
Due from/to other funds resulting from operations	4,016,091	1,220,487
Inventory of materials and supplies	(40,270)	129,857
Prepaid items	801,279	13,345
Other assets	8,728	51,371
Noncapital accounts payable	1,724,031	(1,337,953)
Accrued wages and compensated absences	(158,666)	458,340
Net pension obligations, deferred outflows and deferred inflows	3,330,271	4,376,771
Net OPEB obligation, deferred outflows and deferred inflows	<u>1,902,392</u>	<u>1,032,211</u>
Net cash provided by operating activities	<u>\$ 49,651,941</u>	<u>\$ 48,366,411</u>
Noncash activities:		
During the year, water mains and related property installed		
by others were deeded to the Water Works in the amount of	\$ 48,910	\$ 430,234

See accompanying notes to financial statements.

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

### (1) Summary of Significant Accounting Policies

The City of Milwaukee – Water Works (Water Works) is an enterprise fund within the primary government of the City of Milwaukee (the City). The Water Works provides water to residents and commercial enterprises in the metropolitan Milwaukee area. The financial statements of the Water Works have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB) considering certain requirements of the Public Service Commission of Wisconsin (PSC). The PSC regulates rates charged to customers and other practices of the Water Works. To facilitate the understanding of data included in the financial statements, summarized below are the significant accounting policies:

#### *(a) Reporting Entity*

As defined by U.S. GAAP, the financial reporting entity consists of a primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either:
  - (a) the ability to impose will by the primary government; or
  - (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based on the application of these criteria, the Water Works has no component units and is not a component unit of any other entity. However, because the Water Works is not legally separate from the City, it is included in the financial statements of the City as an enterprise fund.

#### *(b) Basis of Accounting*

The accompanying financial statements were prepared on the accrual basis of accounting. Revenues from operations, investments, and other sources are recognized in the accounting period in which they are earned. Revenues for water sales are recognized when water services are rendered. Unbilled water services are accrued as receivables and revenue at year-end. Expenses (including depreciation and amortization) of providing services to the public are recognized in the period they are incurred.

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

## CITY OF MILWAUKEE – WATER WORKS

### Notes to Financial Statements

December 31, 2021 and 2020

**(c) Cash Equivalents**

For the purpose of cash flows, cash equivalents represent all highly liquid investments purchased with original maturities of three months or less, are stated at cost or amortized cost, which approximates fair value, and are invested with the City Treasurer. The City Treasurer manages a cash and investment pool to maximize return on funds while providing liquidity to meet day-to-day obligations. The Water Works' equity in the City's investment pool is considered to be a cash equivalent, since the Water Works can deposit or effectively withdraw cash at any time without prior notice or penalty.

**(d) Accounts Receivable**

Accounts receivable is composed of charges to customers for water services and receivables for sundry bill charges that cannot be attached to the property. The accounts receivable balance is stated net of allowance for doubtful accounts of \$436,908 and \$524,634 as of December 31, 2021 and 2020, respectively. The accounts receivable year-end balance includes actual unpaid charges. The unbilled accounts receivable balance consists of an estimate of the 2021 receivables that will be billed in the first quarter of 2022.

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

The utility has the right under Wisconsin statutes to place delinquent water bills on the tax roll for collection.

**(e) Inventory of Materials and Supplies**

Inventories of materials and supplies are stated at lower of moving average cost or market, based upon perpetual record-keeping systems and periodic cycle counts of quantities on hand.

**(f) Investments**

The City Treasurer is responsible for managing all of the Water Works' investments pursuant to the City's investment policy and Wisconsin Statutes. Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool – Investment Fund of the State of Wisconsin.

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

### *(f) Investments (cont.)*

- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

Investments, except the Local Government Investment Pool, are reported at fair value based on quoted market prices. The Local Government Investment Pool is an external investment pool administered by the State of Wisconsin. The value of the Water Works' investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

### *(g) Capital Assets*

Capital assets are defined by the Water Works as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Capital assets are capitalized at cost when purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Intangible assets not specifically excluded by its scope provisions will be classified as capital assets. Costs of depreciable property retired are removed from utility plant accounts and are charged to accumulated depreciation. Maintenance and repair costs are charged to operations as incurred and renewals and improvements are added to the asset accounts. Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building and improvements	31 - 59 years
Transmission and distribution systems	45 - 77 years
Machinery and equipment	4 - 30 years

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

### **(h) Restricted Assets**

Mandatory segregation 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.

### **(i) Bond Premiums, Issuance Costs, and Deferred Amounts on Refunding**

Bond premiums and deferred amounts on refunding are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium and deferred amounts on refunding. Bond issuance costs are reported as expenses in the year incurred.

### **(j) Net Position**

Net position is displayed in three components as follows:

*Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Water Works’ policy to use restricted resources first, and then unrestricted resources when they are needed. The Water Works has restricted net position of \$3,401,985 and \$2,623,934 at December 31, 2021 and 2020, respectively. The restriction of net position is related to the debt service reserve requirements of the revenue bonds.

*Unrestricted* – This consists of net position that do not meet the definition of “restricted” or “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, then unrestricted resources as they are needed.

### **(k) Compensated Absences**

#### ***Vacation Benefits***

Vacation benefits are recorded as expenses over the periods the benefits accrue to the employees. Vacation benefits accrued are included in the compensated absences balance.

#### ***Sick Leave***

The liability for sick leave has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Upon retirement, employees receive a portion of their unused sick leave, in accordance with the Code of Ordinances. Upon retirement, employees are generally entitled to payment of accumulated sick leave up to a maximum of 30 days.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(k) Compensated Absences (cont.)**

***Unfunded Terminal Leave Payable***

Terminal leave liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax).

At December 31, 2021 and 2020 compensated absences were comprised of the following leave:

	<u>2021</u>	<u>2020</u>
Sick and terminal leave	\$ 830,058	\$ 889,377
Vacation benefits	1,104,347	1,220,940
Other compensated benefits	51,391	56,497
Accrued FICA taxes on compensated absences	<u>147,982</u>	<u>161,440</u>
Total compensated absences	<u>\$ 2,133,778</u>	<u>\$ 2,328,254</u>

**(l) Classification of Revenues and Expenses**

The Water Works classifies its revenues and expenses as either operating or nonoperating.

Operating revenue includes activities that have the characteristics of exchange transactions including sales of water supplied to city, suburban, and commercial users. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as contributions and most Federal, State, and local grants and contracts.

Operating expenses include the costs of operating the water utility, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition, including interest expense, are reported as nonoperating expenses.

**(m) Taxes**

Payments in lieu of property taxes are recognized as a transfer in the year billed by the City.

**(n) Estimates**

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

**(o) Pension**

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 Employee Retirement System (ERS) and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

**(p) Other Post-Employment Benefits (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**(q) Other Assets**

The balance represents amounts due from other municipalities, miscellaneous receivables, and prepaid expenses.

**(r) Charges for services**

Utility billings are rendered and recorded based on actual service provided. Revenues are recognized on the accrual basis and include amounts for service rendered but not billed.

Current rates were authorized by the PSCW in an order dated September 1, 2019.

**(s) New Accounting Pronouncements Implemented**

The GASB has approved the following statements:

- Statement No. 87, Leases
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus
- Statement No. 93, Replacement of Interbank Offered Rates
- Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- Statement No. 96, Subscription-Based Information Technology Arrangements
- Statement No. 97, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84 and a supersession of GASB Statement No. 32
- Statement No. 98, The Annual Comprehensive Financial Report
- Statement No. 99, Omnibus 2022
- Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statements No. 62
- Statement No. 101, Compensated Absences

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(t) 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.

**(2) Deposits and Investments**

As of December 31, 2021 and 2020, the Water Works' deposits and investments were as follows:

	<u>2021</u>	<u>2020</u>
Local Government Investment Pool	\$ 46,335,366	\$ 21,769,615
Deposits and cash on hand	<u>25,574,866</u>	<u>23,707,373</u>
Total	<u>\$ 71,910,232</u>	<u>\$ 45,476,988</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. Per Common Council, the City Treasurer shall require collateralization of demand deposits and certificates of time deposit at financial institutions when the total amount of such deposits with any institution exceeds the combined insured limit of \$650,000. As of December 31, 2021 and 2020, the Water Works' deposits were not subject to custodial credit risk as they were either insured or collateralized by securities held in the pledging bank's trust department in the City's name.

The Water Works 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 active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Water Works maintains certain cash and investments commingled with the municipality. The fair value hierarchy pertaining specifically to the Water Work's resources cannot be determined for those accounts. Please refer to the City's Comprehensive Annual Financial Report for information on the fair value measurements.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(3) Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers/ Adjustments</u>	<u>December 31, 2021</u>
Capital assets not being depreciated:					
Land and land improvements	\$ 1,415,398	\$ -	\$ -	\$ -	\$ 1,415,398
Nonutility property, land	375,541	-	-	-	375,541
Construction in progress	18,206,101	27,050,015	(34,113,217)	-	11,142,899
Total capital assets not being depreciated	<u>19,997,040</u>	<u>27,050,015</u>	<u>(34,113,217)</u>	<u>-</u>	<u>12,933,838</u>
Capital assets being depreciated					
Buildings	31,093,958	430,649	-	-	31,524,607
Transmission and distribution system	516,855,037	24,737,296	(1,095,696)	-	540,496,637
Machinery and equipment	287,897,962	8,945,273	(3,015,584)	-	293,827,651
Nonutility property, land	3,917,619	-	-	-	3,917,619
Total capital assets being depreciated	<u>839,764,576</u>	<u>34,113,218</u>	<u>(4,111,280)</u>	<u>-</u>	<u>869,766,514</u>
Less accumulated depreciation:					
Buildings	22,679,839	699,681	-	-	23,379,520
Transmission and distribution system	129,203,791	7,267,314	(1,141,665)	65,333	135,394,773
Machinery and equipment	162,883,403	13,282,354	(3,136,468)	-	173,029,289
Nonutility property	1,476,613	-	-	139,146	1,615,759
Total accumulated depreciated	<u>316,243,646</u>	<u>21,249,349</u>	<u>(4,278,133)</u>	<u>204,479</u>	<u>333,419,341</u>
Total capital assets being depreciated, net	<u>523,520,930</u>	<u>12,863,869</u>	<u>166,853</u>	<u>(204,479)</u>	<u>536,347,173</u>
Total capital assets, net	<u>\$ 543,517,970</u>	<u>\$ 39,913,884</u>	<u>\$ (33,946,364)</u>	<u>\$ (204,479)</u>	<u>\$ 549,281,011</u>

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

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

	<b>December 31, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers/ Adjustments</b>	<b>December 31, 2020</b>
Capital assets not being depreciated:					
Land and land improvements	\$ 1,415,398	\$ -	\$ -	\$ -	\$ 1,415,398
Nonutility property, land	375,541	-	-	-	375,541
Construction in progress	57,213,517	71,432,551	(110,439,967)	-	18,206,101
Total capital assets not being depreciated	<u>59,004,456</u>	<u>71,432,551</u>	<u>(110,439,967)</u>	<u>-</u>	<u>19,997,040</u>
Capital assets being depreciated					
Buildings	31,093,958	10,640	(10,640)	-	31,093,958
Transmission and distribution system	463,294,576	55,753,088	(2,192,627)	-	516,855,037
Machinery and equipment	280,161,473	11,387,962	(3,651,473)	-	287,897,962
Nonutility property, land	3,917,619	-	-	-	3,917,619
Total capital assets being depreciated	<u>778,467,626</u>	<u>67,151,690</u>	<u>(5,854,740)</u>	<u>-</u>	<u>839,764,576</u>
Less accumulated depreciation:					
Buildings	21,809,731	880,748	(10,640)	-	22,679,839
Transmission and distribution system	124,618,782	6,802,175	(2,217,166)	-	129,203,791
Machinery and equipment	154,145,921	12,801,679	(4,064,197)	-	162,883,403
Nonutility property	1,337,468	-	-	139,145	1,476,613
Total accumulated depreciated	<u>301,911,902</u>	<u>20,484,602</u>	<u>(6,292,003)</u>	<u>139,145</u>	<u>316,243,646</u>
Total capital assets being depreciated, net	<u>476,555,724</u>	<u>46,667,088</u>	<u>437,263</u>	<u>(139,145)</u>	<u>523,520,930</u>
Total capital assets, net	<u>\$ 535,560,180</u>	<u>\$ 118,099,639</u>	<u>\$ (110,002,704)</u>	<u>\$ (139,145)</u>	<u>\$ 543,517,970</u>

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(4) Long-Term Obligations**

**(a) Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended December 31, 2021 were as follows:

	<u>December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due within one year</u>
General obligation bonds	\$ 4,650,000	\$ -	\$ (4,650,000)	\$ -	\$ -
Revolving Note	-	-	-	-	-
Unamortized premiums	250,190	-	(27,477)	222,713	-
Revenue bonds	<u>77,122,806</u>	<u>27,989,962</u>	<u>(4,104,757)</u>	<u>101,008,011</u>	<u>5,162,924</u>
Total	<u>\$ 82,022,996</u>	<u>\$ 27,989,962</u>	<u>\$ (8,782,234)</u>	<u>\$ 101,230,724</u>	<u>\$ 5,162,924</u>

Changes in long-term obligations for the year ended December 31, 2020 were as follows:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2020</u>	<u>Due within one year</u>
General obligation bonds	\$ 5,695,000	\$ -	\$ (1,045,000)	\$ 4,650,000	\$ 775,000
Revolving Note	5,000,000	-	(5,000,000)	-	-
Unamortized premiums	279,201	-	(29,011)	250,190	-
Revenue bonds	<u>60,136,715</u>	<u>19,974,509</u>	<u>(2,988,418)</u>	<u>77,122,806</u>	<u>3,885,775</u>
Total	<u>\$ 71,110,916</u>	<u>\$ 19,974,509</u>	<u>\$ (9,062,429)</u>	<u>\$ 82,022,996</u>	<u>\$ 4,660,775</u>

In addition to the liabilities above, information on the net pension liability and total OPEB liability is provided in Note 6.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(b) General Obligation Bonds**

General obligation bonds were eliminated in 2021.

General obligation bonds outstanding at December 31, 2021 and 2020 were as follows:

<u>Series</u>	<u>Maturity</u>	<u>Interest rates</u>	<u>Original</u>	<u>Principal</u>	
				<u>Balance as December 31</u>	<u>2021</u>
2010-N1	2017 to 2020	2.50% to 5.00%	\$ 450,000	\$ -	\$ -
2010-B5	2021 to 2025	1.50% to 5.00%	225,000	-	-
2011-N3	2017 to 2021	4.00% to 5.00%	7,750,000	-	775,000
2011-B4	2022 to 2026	4.00% to 5.00%	3,875,000	-	3,875,000
Total			<u>\$ 12,300,000</u>	<u>\$ -</u>	<u>\$ 4,650,000</u>

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(c) Revenue Bonds**

Below is a summary of the Water Works issuance of revenue bonds to either the State of Wisconsin Safe Drinking Water Loan (SDWL) Program or the City. The SDWL bonds support loans to the Water Works for water quality capital projects, or reimbursement for capital expenditures related to water quality, up to the face value of the bond. The City bonds are for the purpose of financing the costs of improvements to the City’s Water Works System. Loan covenants provide for the monthly escrow of revenues to repay the debt plus interest.

Revenue bonds outstanding at December 31, 2021 and 2020 were as follows:

<u>Date</u>	<u>Series</u>	<u>Face value</u>	<u>Issued with</u>	<u>Closed year</u>	<u>Final amount</u>	<u>Maturity</u>
12/2013	SDW Bond 4851-08*	\$ 7,823,139	SDWL	2015	\$ 6,221,748	5/1/2033
10/2014	SDW Bond 4851-23*	8,548,447	SDWL	2018	8,046,504	5/1/2034
01/2017	SDW Bond 4851-26*	18,167,178	SDWL	2018	15,290,562	5/1/2036
06/2017	SDW Bond 4851-27*	6,936,616	SDWL	2019	5,911,914	5/1/2037
05/2018	SDW Bond 4851-32*	12,706,234	SDWL	2020	11,481,167	5/1/2038
06/2019	SDW Bond 4851-35*	16,210,551	SDWL	Open	12,753,761	5/1/2039
05/2020	SDW Bond 4851-36*	28,562,461	SDWL	Open	22,701,501	5/1/2040
05/2021	SDW Bond 4851-37*	27,323,813	SDWL	Open	22,794,588	5/1/2041
12/2016	Series 2016 W-10	10,000,000	City	2016	10,000,000	12/1/2036
	Total	<u>\$ 136,278,439</u>			<u>\$ 115,201,745</u>	

\*The debt noted is directly placed with a third party.

<u>Series</u>	<u>Maturity</u>	<u>Interest rates</u>	<u>Principal</u>	
			<u>Balance as December 31</u>	<u>2020</u>
			<u>2021</u>	<u>2020</u>
SDW Bond 4851-08*	2017 to 2033	1.93%	\$ 4,037,859	\$ 4,334,482
SDW Bond 4851-23*	2017 to 2034	1.93%	5,846,830	6,239,392
SDW Bond 4851-26*	2017 to 2036	1.54%	11,961,826	12,665,972
SDW Bond 4851-27*	2017 to 2037	1.87%	4,928,323	5,190,506
SDW Bond 4851-32*	2018 to 2038	1.87%	10,116,277	10,617,888
SDW Bond 4851-35*	2019 to 2039	1.98%	11,787,663	12,328,439
SDW Bond 4851-36*	2020 to 2040	1.76%	21,744,645	17,506,127
SDW Bond 4851-37*	2021 to 2041	1.49%	22,794,588	-
Series 2016 W-10	2017 to 2036	2.00%	7,790,000	8,240,000
Total			<u>\$ 101,008,011</u>	<u>\$ 77,122,806</u>

\*The debt noted is directly placed with a third party.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

All 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 2021 and 2020 were \$5,819,224 and \$4,267,168 respectively. Total customer net revenues as defined for the same periods were \$37,539,815 and \$39,202,328. (Refer to chart below). Annual principal and interest payments are expected to require 16.0% of net revenues on average.

**(d) Debt Service Requirements**

The maturities of the outstanding principal and related interest requirements as of December 31, 2021 are as follows:

Year Ending December 31,	Bonds			Direct Placement: SDW Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 455,000	\$ 310,988	\$ 765,988	\$ 4,707,924	\$ 1,569,648	\$ 6,277,572
2023	460,000	292,663	752,663	4,789,724	1,487,009	6,276,733
2024	465,000	269,538	734,538	4,872,961	1,403,040	6,276,001
2025	475,000	246,038	721,038	4,957,662	1,317,595	6,275,257
2026	480,000	222,163	702,163	5,043,851	1,230,648	6,274,499
2027 - 2031	2,555,000	832,131	3,387,131	26,566,086	4,794,563	31,360,649
2032 - 2036	2,900,000	296,000	3,196,000	26,762,470	2,432,737	29,195,207
2037 - 2041	-	-	-	15,517,333	519,852	16,037,185
Total	\$ 7,790,000	\$ 2,469,521	\$ 10,259,521	\$ 93,218,011	\$ 14,755,092	\$ 107,973,103

**(5) Revenue Bond Debt Covenants**

Year	Gross revenue	Debt coverage expense	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
2021	99,740,003	62,200,188	37,539,815	5,162,924	1,880,636	7,043,560	5.33
2020	98,587,393	59,385,065	39,202,328	3,885,775	1,520,893	5,406,668	7.25

Gross revenues are defined as total revenues plus interest income. Debt coverage expenses are defined as total operating expenses, minus depreciation. The revenue bonds debt service coverage ratio requirement is the greater of 1.2 or the highest debt service coverage ratio with respect to any other debt obligations payable from the revenues of the water system.

At December 31, 2021 and 2020, there were no other debt obligations payable from the revenues of the water system.

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

### (6) Retirement Plan and Other Postemployment Benefits

#### (a) Pension Benefits

*Plan Description* - The following brief description of the more common provisions of the Employees' Retirement System of the City of Milwaukee (the Retirement System or ERS) is provided for financial statement purposes only. The provisions described reflect changes to the Retirement System enacted in 2000 as part of what is known as the Global Pension Settlement (GPS). GPS increased benefits to all members who consented to the settlement in exchange for allowing the City to make certain changes in plan administration, including allowing the use of Retirement System assets to pay for all costs to administer the Retirement System.

*Plan Administration* – The Retirement System was established pursuant to the Retirement Act (Chapter 396 of the Laws of Wisconsin 1937) to provide the payment of retirement and other benefits to employees of the City of Milwaukee (the “City”). Chapter 441 of the Laws of Wisconsin of 1947 made the benefits contractual and vested. The Retirement System is a cost-sharing, multi-employer plan, which also provides benefits to employees of the Milwaukee Metropolitan Sewerage District, Wisconsin Center District, Veolia Water Milwaukee LLC, Milwaukee Housing and Redevelopment Authorities, non-certified staff of the Milwaukee Public Schools and some employees of the Milwaukee Area Technical College (the “Agencies”). City employees comprise approximately 53.5% of the active participants in the Retirement System.

*Measurement Focus and Basis of Accounting* – The ERS is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, contributions are recognized in the accounting period in which the underlying earnings on which the contributions are based are paid and the employers made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the ERS. Investment transactions and the related gains and losses are recorded on a trade date basis. Dividend and interest income are accrued as earned. Investments are reported at fair value.

*Long-term Expected Rate of Return on Plan Assets* –The long-term expected rate of return on pension plan investments was reviewed as part of the regular experience study, prepared for the Retirement System in October 2017. Additional analysis was performed in early 2019 which resulted in a decrease in the long-term rate of return to 7.50%. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations, as developed by the Retirement System's investment consultant, for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and then adding expected inflation. This assumption is intended to be a long-term assumption (30 to 50 years) and is not generally expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

***(a) Pension Benefits (cont.)***

Best estimates of arithmetic real rates of return (net of inflation) for each major asset class included in the Retirement System’s target asset allocation as of December 31, 2020, are listed in the table below:

<u>Asset Class</u>	<u>Policy</u>	<u>Long-term Expected Rate of Return*</u>
Public Equity	43.0%	7.3%
Fixed Income & Cash	26.0%	3.1%
Real Estate	7.7%	5.6%
Real Assets	3.3%	4.5%
Private Equity	10.0%	10.6%
Absolute Return	<u>10.0%</u>	2.9%
Total	100.0%	

Best estimates of arithmetic real rates of return (net of inflation) for each major asset class included in the Retirement System’s target asset allocation as of December 31, 2019, are listed in the table below:

<u>Asset Class</u>	<u>Policy</u>	<u>Long-term Expected Rate of Return*</u>
Global Equity	47.0%	7.3%
Fixed Income	25.0%	3.1%
Real Estate	7.7%	5.6%
Real Assets	3.3%	4.5%
Absolute Return	9.0%	2.9%
Private Equity	<u>8.0%</u>	10.6%
Total	100.0%	

*\*Rates provided by Callan Associates, arithmetic mean, net of expenses*

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

***(a) Pension Benefits (cont.)***

**Rate of Return** – For the year ended December 31, 2020, the annual money-weighted rate of return, net of investment expense is shown on the next page. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	<b><u>2020</u></b>
Annual money-weighted rate of return, net of investment expense	5.88%

**Rate of Return** – For the year ended December 31, 2019, the annual money-weighted rate of return, net of investment expense is shown below. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	<b><u>2019</u></b>
Annual money-weighted rate of return, net of investment expense	18.51%

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

***(a) Pension Benefits (cont.)***

**Actuarial Assumptions** – The last actuarial valuation was performed as of January 1, 2020, and the amounts were used to roll-forward the total pension liability to the plan’s year-end December 31, 2020, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuation Date	January 1, 2020
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal – Level Percentage of Pay
Amortization Method	Level percent of payroll, closed
Asset Valuation Method	5-year smoothing of difference between expected return on actuarial value and actual return on market value
Actuarial Assumptions:	
Long-term Rate of Return, net of investment expense, including price inflation	7.50%
Projected Salary Increases	General City: 2.5% - 5.5% Police & Fire: 4.0% - 13.4%
Inflation Assumption	2.50%
Cost of Living Adjustments	Varies by employee group and decrement type (see plan provisions).
Mortality Table	Post-retirement mortality rates are based on the RP-2014 Healthy Non-Annuitant Mortality Table, projected generationally with Scale MP-2016. Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally with Scale MP-2016. Disabled mortality rates were based on the RP-2014 Disabled Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally with Scale MP-2016.
Experience Study	The actuarial assumptions used in this valuation, other than the long-term rate of return, are based on the results of the most recent experience study covering the five-year period ending December 31, 2016. The long-term rate of return is based on analysis performed by Cavanaugh Macdonald and adopted by the Board of Trustees on April 29, 2019.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(a) Pension Benefits (cont.)**

**Actuarial Assumptions** – The last actuarial valuation was performed as of January 1, 2019, and the amounts were used to roll-forward the total pension liability to the plan’s year-end December 31, 2019, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuation Date	January 1, 2019
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal – Level Percentage of Pay
Amortization Method	Level percent of payroll, closed
Remaining amortization period	25 years
Asset Valuation Method	5-year smoothing of difference between expected return on actuarial value and actual return on market value
Actuarial Assumptions: Inflation Assumption	2.50 percent
Projected Salary Increases	General City: 2.5% - 4.93%
Long-term Rate of Return, net of investment expense, including price inflation	7.50 percent
Cost of Living Adjustments	Varies by employee group and decrement type (see plan provisions).
Mortality Table	Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally with Scale MP-2016. Disabled mortality rates are based on RP-2014 Disabled Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally using Scale MP-2016. Active mortality rates are based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2016.
Experience Study	The actuarial assumptions used in the December 31, 2019 valuation, other than the long-term rate of return, were based on the results of the most recent experience study covering the five-year period ending December 31, 2016 (report dated October 23, 2017). The long-term rate of return is based on analysis performed by Cavanaugh Macdonald and presented to the Board in March, 2019.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(a) Pension Benefits (cont.)**

**Net Pension Liability** – The components of the pension liability of the City of Milwaukee – Water Works as of December 31, were as follows:

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 114,376,000	\$ 107,895,000
Plan fiduciary net position	<u>(95,841,000)</u>	<u>(91,530,000)</u>
Net pension liability	<u>\$ 18,535,000</u>	<u>\$ 16,365,000</u>
Plan fiduciary net position as a percentage of the total pension liability	83.79%	84.83%
Covered Payroll	\$ 9,580,508	\$ 9,896,250
Net pension liability as a percentage of employee payroll	183.21%	170.82%

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contribution from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 7.50 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the Water Works' net pension liability calculated using the discount rate of 7.50 percent, as well as what the Water Works' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate as of December 31, 2021:

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(a) Pension Benefits (cont.)**

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>6.5%</b>	<b>7.5%</b>	<b>8.5%</b>
Net Pension Liability	\$ 32,169,000	\$ 18,535,000	\$ 7,203,000

The following presents Water Works’ net pension liability calculated using the discount rate of 7.50%, as well as what the Water Works’ net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate as of December 31, 2020.

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>6.5%</b>	<b>7.5%</b>	<b>8.5%</b>
Net Pension Liability	\$ 29,203,000	\$ 16,365,000	\$ 5,680,000

**Schedule of Employer Allocations** – The Employer Allocation Percentage is based on the employers’ required contribution compared to the required contribution for all employers. The Employer Allocation Percentage is rounded to seven decimal places.

**Schedule of Pension Amounts** – The employer’s proportionate share of the Collective Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Total Employer Pension Expense (Income) is based on the Employer Allocation Percentage.

The Collective Deferred Inflows and Outflows of Resources due to liabilities are amortized over the Average Expected Service Lives of all Employees of 3.88 years. The Collective Deferred Inflows and Outflows of Resources due to the net difference between projected and actual earnings on pension plan investments is amortized over five years.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(a) Pension Benefits (cont.)**

Collective Deferred Inflows and Outflows of Resources to be recognized in the Future Pension Expense are as follows for the year ended December 31, 2021:

	<b><u>Outflows of Resources</u></b>	<b><u>Inflows of Resources</u></b>	<b><u>Net Outflows (Inflows) of Resources</u></b>
Differences between expected and actual experience	\$ 1,621,000	\$ (391,000)	\$ 1,230,000
Changes of assumptions	2,033,000	-	2,033,000
Differences between projected and actual earnings	-	(2,792,000)	(2,792,000)
Changes in proportion	458,000	(159,000)	299,000
Contributions subsequent to measurement date	<u>1,486,516</u>	<u>-</u>	<u>1,486,516</u>
Total	<u>\$ 5,598,516</u>	<u>\$ (3,342,000)</u>	<u>\$ 2,256,516</u>

Collective Deferred Inflows and Outflows of Resources to be recognized in the Future Pension Expense are as follows for the year ended December 31, 2020:

	<b><u>Outflows of Resources</u></b>	<b><u>Inflows of Resources</u></b>	<b><u>Net Outflows (Inflows) of Resources</u></b>
Differences between expected and actual experience	\$ 1,725,000	\$ (762,000)	\$ 963,000
Changes of assumptions	4,883,000	-	4,883,000
Differences between projected and actual earnings	-	(3,769,000)	(3,769,000)
Changes in proportion	215,000	(334,000)	(119,000)
Contributions subsequent to measurement date	<u>1,440,787</u>	<u>-</u>	<u>1,440,787</u>
Total	<u>\$ 8,263,787</u>	<u>\$ (4,865,000)</u>	<u>\$ 3,398,787</u>

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(a) Pension Benefits (cont.)**

Deferred Outflows and Inflows of Resources to be recognized in the Future Pension Expense are as follows:

<u>Year Ending December 31,</u>	<u>Net Outflows (Inflows) of Resources</u>
2022	\$ 1,988,000
2023	1,468,000
2024	(2,664,000)
2025	(22,000)

<u>Fiscal Year ending December 31,</u>	<u>2021</u>	<u>2020</u>
Service Cost	\$ 1,497,000	\$ 1,438,000
Interest cost on total pension liability	8,179,000	7,630,000
Projected earnings on plan investment	(6,873,000)	(5,942,000)
Contribution - Member	(546,000)	(537,000)
Administrative Expense	125,000	116,000
 <u>Recognition of net deferred outflows (inflows)</u>		
Changes in assumptions	-	-
Difference between expected and actual liability experience	220,000	505,000
Difference between projected and actual earnings	(14,000)	(1,754,000)
Recognition of prior years':		-
Deferred Outflows	5,798,000	6,416,000
Deferred Inflows	(3,551,000)	(1,754,000)
Other Changes in fiduciary net position	10,000	(94,000)
<b>Total Pension Expense</b>	<u>\$ 4,845,000</u>	<u>\$ 6,024,000</u>

Additional Financial Information for the ERS – For additional information regarding ERS’s financial statements and audit report, please visit the ERS web site at <https://www.cmers.com>

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

### **(b) Other Postemployment Benefits**

The City implemented GASB 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 was adjusted in the beginning net position for 2018.

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

*Plan Description* – The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee’s Employees’ Retirement System (ERS). The City provides medical and COBRA dental insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of statement 75.

*Benefits Provided* – Retiree eligibility for full health insurance coverage varies by employee group, but can be summarized as follows:

General Employees: Employees hired prior to January 1, 2017, in general, are eligible when they retire through the ERS with a minimum of 15 years of creditable service with the City. Furthermore, if they retire on a service retirement they are eligible for an 88% subsidy until they attain age 65. Certain other groups of General employees are eligible, but pay a variety of rates depending upon their group affiliation at the time of retirement, service credit, age, and type of retirement – the subsidy for these may range from 100% to 25% until age 65. Almost all retirees get a 25% subsidy once they attain Medicare age (65 years). Service retirement for General employees enrolled prior to January 1, 2014 is age 60 or age 55 with 30 years of creditable service; for those enrolled on/after January 1, 2014 is age 65 or age 60 with 30 years of creditable service.

Disability: Slightly different eligibility criteria apply for employees who retire on an ordinary or duty disability and their subsidy is different from regular service retirees.

In addition to medical insurance, before 2014 the City allowed its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees covered under the City’s Life Insurance plan until December 31, 2013 was equal to the employee’s annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee’s annual basic salary to the next higher thousand dollars.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(b) Other Postemployment Benefits (cont.)**

General City employees retiring after 2013 must have purchased before retirement at least 50% of their annual base salary in voluntary life insurance coverage to be able to continue their enrollment in the City’s General Life Insurance program. Premiums are paid at age-banded rates that are in effect at that time. Employees maintaining a minimum of 50% of their annual base salary at the time of retirement in voluntary coverage until age 65, upon attaining age 65, have \$10,000 of coverage paid for by the City.

In general, General City employees retiring on a service retirement prior to 2014 were eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and Police retiring on a service retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends.

The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work. For certain groups of retirees, the City may assume all future premiums or only the cost of the \$10,000 of coverage, depending upon the retirement date and reduction schedule in effect on their last day at work.

*Employees covered by benefit terms* – At December 31, 2021 and 2020, the following estimated MWW employees were covered by the benefit terms.

	<u>2021</u>	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefit payments	120	135
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>221</u>	<u>268</u>
Total	<u><u>341</u></u>	<u><u>403</u></u>

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(b) Other Postemployment Benefits (cont).**

**Actuarial Assumptions –**

Valuation Date	January 1, 2021
Measurement Date	December 31, 2021
Sponsor’s fiscal year end	December 31, 2021
Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Sponsor contributes pay-as-you-go-costs.
Discount Rate as of December 31, 2020	2.00%
Discount Rate as of December 31, 2021	1.84%
Asset Valuation Method	Not applicable
Investment Rate of Return	Not applicable
Wage Inflation	2.50% for general employees and 4.00% for public safety employees
Salary Increases	Depends on employee group and age. For general employees, salary increase rates start at 5.5% at age 20 and decrease steadily to 2.5% at age 45. For public safety employees, salary increases start at 13.4% at age 20 and decrease steadily to 4.0% at age 55.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) (base year 2006) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% for rates for females) (base year 2006) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table (base year 2006) projected generationally with Scale MP-2016.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(b) Other Postemployments Benefits (cont.)**

**Actuarial Assumptions – (cont.)**

Healthcare Cost Trend Rates	Pre-Medicare trend rates are 4.0% for 2022, 7.00% for 2023, and grade down in 0.25% increments to an ultimate trend rate of 4.25% in 2034. Post-Medicare trend rates are 6.00%, for 2022, 8.005 for 2023, and grade down in 0.25% increments to an ultimate trend rate of 4.25% in 2038.
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”
Expenses	Health administrative expenses are included in the development of the per capita claim costs. Operating expenses are reflected separately.

**Actuarial Assumptions –**

Valuation Date	January 1, 2020
Measurement Date	December 31, 2020
Sponsor’s fiscal year end	December 31, 2020
Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Sponsor contributes pay-as-you-go-costs.
Discount Rate as of January 1, 2020	2.75%
Discount Rate as of December 31, 2020	2.00%
Asset Valuation Method	Not applicable
Investment Rate of Return	Not applicable
Wage Inflation	2.50% for general employees and 4.00% for public safety employees
Salary Increases	Depends on employee group and age. For general employees, salary increase rates start at 5.5% at age 20 and decrease steadily to 2.5% at age 45. For public safety employees, salary increases start at 13.4% at age 20 and decrease steadily to 4.0% at age 55.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

***(b) Other Postemployments Benefits (cont.)***

**Actuarial Assumptions – (cont.)**

Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) (base year 2006) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% for rates for females) (base year 2006) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table (base year 2006) projected generationally with Scale MP-2016.
Healthcare Cost Trend Rates	Pre-Medicare trend rates are 8.0% for 2020 and grade down in 0.50% increments to an ultimate trend rate of 4.50% in 2027. Post-Medicare trend rates are 9.50% for 2020 and grade down in 0.50% increments to an ultimate trend rate of 4.50% in 2030. Actual trend rates of 3.02% for pre-Medicare and 6.63% for post-Medicare are used in 2019.
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”
Expenses	Health administrative expenses are included in the development of the per capita claim costs. Operating expenses are reflected separately.

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

*(b) Other Postemployment Benefits (cont).*

***CHANGES IN THE NET OPEB LIABILITY***

	<u><b>2021</b></u>	<u><b>2020</b></u>
<b><u>Total OPEB Liability</u></b>		
Service Cost	\$ 1,456,675	\$ 405,610
Interest cost on total OPEB Liability	921,123	1,279,868
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(4,968,372)	(197,411)
Changes in Assumptions	(1,403,433)	5,989,194
Benefit Payments	<u>(1,326,361)</u>	<u>(1,353,342)</u>
<b>Net Change in Total OPEB Liability</b>	<b><u>\$ (5,320,368)</u></b>	<b><u>\$ 6,123,919</u></b>
Total OPEB Liability - beginning	\$ 53,699,624	\$ 47,575,705
Total OPEB Liability - Ending	\$ 48,379,256	\$ 53,699,624

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(b) Other Postemployment Benefits (cont).**

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the Water Works’ portion of the City of Milwaukee’s total OPEB liability, as well as what the Water Works’ total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

<u>Year</u>	<u>Category</u>	<u>TOTAL OPEB liability</u>		
		<u>1% Decrease</u>	<u>Rate Assumption</u>	<u>1% Increase</u>
2021	Discount Rate	0.84%	1.84%	2.84%
	Amount	\$ 57,774,366	\$ 48,379,256	\$ 41,000,481
2020	Discount Rate	1.00%	2.00%	3.00%
	Amount	\$ 66,124,271	\$ 53,699,624	\$ 47,291,406

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the Water Works’ portion of the City of Milwaukee’s total OPEB liability, as well as what the Water Works’ total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. The key current trend rates are 7.00 percent in 2023, decreasing to an ultimate trend rate of 4.25 percent in 2034, for non-Medicare coverage, and 8.00 percent in 2023 decreasing to an ultimate trend rate of 4.25 percent in 2038 for Medicare coverage.

<u>Year</u>	<u>Category</u>	<u>Healthcare Cost Assumption</u>		
		<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
2021	OPEB liability	\$ 41,355,765	\$ 48,379,256	\$ 57,519,499
2020	OPEB liability	\$ 47,663,912	\$ 53,699,624	\$ 66,338,602

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

*(b) Other Postemployment Benefits (cont).*

***OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES  
RELATED TO OPEB***

For the year ended December 31, 2021, the Water Works recognized OPEB expense of \$1,902,392. At December 31, 2021, the City of Milwaukee reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ (4,424,638)
Changes of assumptions	<u>7,841,822</u>	<u>(2,136,783)</u>
Total	<u><u>\$ 7,841,822</u></u>	<u><u>\$ (6,561,421)</u></u>

For the year ended December 31, 2020, the Water Works recognized OPEB expense of \$1,032,211. At December 31, 2020, the City of Milwaukee reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ (340,675)
Changes of assumptions	<u>10,102,572</u>	<u>(1,258,738)</u>
Total	<u><u>\$ 10,102,572</u></u>	<u><u>\$ (1,599,413)</u></u>

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

*(b) Other Postemployment Benefits (cont).*

***OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES  
RELATED TO OPEB (cont.)***

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

<b><u>Year Ended December 31:</u></b>	<b><u>Outflows</u></b>	<b><u>Inflows</u></b>
2022	\$ 2,260,752	\$ (1,409,796)
2023	2,260,752	(1,409,796)
2024	2,260,752	(1,396,222)
2025	1,059,566	(1,123,717)
2026	-	(1,029,983)
2027	-	(191,907)
Total	<u>\$ 7,841,822</u>	<u>\$ (6,561,421)</u>

**CITY OF MILWAUKEE – WATER WORKS**

Notes to Financial Statements

December 31, 2021 and 2020

**(7) Regulatory Agency**

PSC reporting requirements and the timing of the reports give rise to differences between revenues and expenses that are included in the PSC reports and these financial statements. The major categories of these differences are as follows: (1) the PSC recognizes the amortization of Contributions in Aid of Construction (CIAC) deferred credits over a 20-year period, (2) the PSC has elected to retain reporting pension related expense under the funding method, rather than the actuarial method required by GASB standards, and (3) some expenses are recognized in different years due to the timing of the PSC report and this report.

The effect of such differences on net income is as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Increase (Decrease) in net position as shown in accompanying financial statements	\$ 1,462,715	\$ 6,315,145
Amortization of deferred credits resulting from Contributions in Aid of Construction (CIAC) reclassification	811,325	811,326
Misc. credits to Non-Operating Income	<u>-</u>	<u>-</u>
<b>Net income as shown on PSC reports</b>	<u><u>\$ 2,274,040</u></u>	<u><u>\$ 7,126,471</u></u>

**(8) Commitments and Contingencies**

The Water Works is generally committed under the terms of various contracts for construction of improvements and additions to the Water Works' system. Contract terms provide for partial payments as construction progresses with specified retention to assure full contract compliance. Open commitments on such contracts as of December 31, 2021 totaled \$9,653,288.

The Water Works has an annual maximum contingent liability of \$200,000 for general liability claims. Claims in excess of this amount, if any, are the liability of the City.

## CITY OF MILWAUKEE – WATER WORKS

Notes to Financial Statements

December 31, 2021 and 2020

### **(9) Risk Management**

The Water Works is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. These risks are monitored and evaluated by the City of Milwaukee for all aspect of the City's operations, including the Water Works. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgements through annual appropriations and supplemental appropriations. The liabilities are recorded in the City's government-wide financial statements and are not separately determinable for the Water Works.

### **(10) Transfers and Interfund Balances**

At December 31, 2021, the Water Works has nothing recorded a due from other funds and at December 31, 2020, the Water Works had \$1,015,354, which represents the amount owed to the Water Works as a result of regular advance and reimbursement activities. At December 31, 2021 and 2020, the Water Works has recorded a due to the City (General and Sewer Funds) of \$5,030,083 and \$2,029,346 respectively, for sewer maintenance and other municipal fees collected by the Water Works.

The Water Works transfers funds to the City (general fund) for PILOT. In 2021 and 2020, the PILOT transfers to the City were \$13,459,000 and \$13,500,000, respectively.

The Water Works advanced funds to the Parking fund for \$272,286 in 2012. The advance is payable in annual installments of \$27,229 over 10 years and the balance has been repaid.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MILWAUKEE – WATER WORKS**

Required Supplementary Information

December 31, 2021 and 2020

(Unaudited)

Schedule of Water Works Proportionate Share of the Net Pension Liability (Asset)  
City of Milwaukee Employee Retirement System  
Last 10 Measurement Periods\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water Works' proportion of the net pension liability (asset)	1.6963843%	1.6470842%	1.5985459%	1.8118086%	1.8683190%	1.8194712%	1.8920740%
Water Works' proportionate share of the net pension liability (asset)	\$ 18,535,000	\$ 16,365,000	\$ 21,403,000	\$ 6,569,000	\$ 7,961,000	\$ 7,652,000	\$ 2,147,000
Water Works' covered - employee payroll	\$ 9,580,508	\$ 10,514,343	\$ 10,456,292	\$ 10,777,478	\$ 10,126,658	\$ 9,748,763	\$ 10,027,000
Plan fiduciary net position as a percentage of the total pension liability (asset)	84.92%	84.83%	78.71%	93.50%	92.08%	92.41%	97.76%

Schedule of City of Milwaukee – Water Works Contributions  
City of Milwaukee Employee Retirement System  
Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,486,516	\$ 1,440,787	\$ 1,385,558	\$ 1,362,743	\$ 1,490,656	\$ 1,314,000	\$ 1,464,233
Contributions in relation to the contractually required contributions	\$ (1,486,516)	\$ (1,440,787)	\$ (1,385,558)	\$ (1,362,743)	\$ (1,490,656)	\$ (1,314,000)	\$ (1,464,233)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Works' covered - employee payroll	\$ 12,778,072	\$ 9,580,508	\$ 10,514,343	\$ 10,456,292	\$ 10,777,478	\$ 10,126,658	\$ 9,748,763
Contributions as a percentage of covered - employee payroll	11.63%	15.04%	13.18%	13.03%	13.83%	12.98%	15.02%

\*Additional years' information will be displayed as it becomes available.

## **CITY OF MILWAUKEE – WATER WORKS**

Required Supplementary Information

December 31, 2021 and 2020

(Unaudited)

### **Significant Changes Since Last Year's Valuation:**

- The current contribution rates under the Stable Employer Contribution Policy for calendar years 2018 through 2022 are: General Employees: 7.48%.
- There was favorable investment experience on the market value of assets during calendar year 2020. This favorable experience, combined with the recognition of deferred asset gains, resulted in a return on the actuarial value of assets of 9.22%, which is above the assumed rate of return of 7.50%. This resulted in an actuarial gain on assets.
- Liability gains (losses) result from actual experience that is more (less) favorable than anticipated based on the actuarial assumptions. Overall, there was favorable experience during 2020 for the System's liabilities, as expressed by a smaller actuarial accrued liability than expected. The largest source of favorable experience was mortality experience during 2020 (greater rates of mortality than expected).
- The recommendation to lower the investment return assumption from 8.00% in calendar years 2018 through 2022 and 9.25% thereafter to 7.50% for all years was adopted by the Board and reflected in the January 2, 2019 valuation. This resulted in a significant increase in the actuarial determined contribution rate.
- This is the third actuarial valuation report prepared by Cavanaugh Macdonald Consulting, LLC (CMC).
- The Global Pension Settlement (GPS) provides that members enrolled through June 28, 2000, must provide written consent to the ERS in order to be eligible for the benefit enhancements of GPS. Members enrolled after June 28, 2000 are automatically participants in the Combined Fund. Since the January 1, 2018 valuation, nine individuals who were eligible for ERS benefits as of June 28, 2000 -- and who had not previously consented to GPS -- have now consented. As a result, assets have been transferred from the non-consenter funds in which these members previously participated to the Combined Fund.

**CITY OF MILWAUKEE – WATER WORKS**

Required Supplementary Information

December 31, 2021 and 2020

(Unaudited)

Schedule of Changes in Milwaukee Water Works' OPEB Liability and Related Ratios  
City of Milwaukee GRS  
Last 10 Measurement Periods\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>					
Service Cost	\$ 1,456,675	\$ 405,610	\$ 1,484,720	\$ 1,937,129	\$ 2,422,679
Interest	921,123	1,279,868	1,440,899	1,585,075	283,192
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(4,968,372)	(197,411)	(1,826,892)	(7,068)	-
Changes of assumptions	(1,403,443)	5,989,194	791,256	(2,722,837)	(270,531)
Benefit payments	<u>(1,326,361)</u>	<u>(1,353,342)</u>	<u>(1,335,012)</u>	<u>(1,392,396)</u>	<u>(1,294,608)</u>
<b>Net Change in Total OPEB Liability</b>	<u>(5,320,378)</u>	<u>6,123,919</u>	<u>554,971</u>	<u>(600,097)</u>	<u>1,140,732</u>
<b>Total OPEB Liability - Beginning</b>	<u>53,699,624</u>	<u>47,575,705</u>	<u>47,020,734</u>	<u>47,620,831</u>	<u>46,480,099</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 48,379,246</u>	<u>\$ 53,699,624</u>	<u>\$ 47,575,705</u>	<u>\$ 47,020,734</u>	<u>\$ 47,620,831</u>
<b>Covered employee payroll</b>	\$ 12,778,072	\$ 15,040,440	\$ 17,799,809	\$ 18,836,918	\$ 16,836,908
<b>Total OPEB liability as a percentage of covered employee payroll</b>	378.61%	357.03%	267.28%	249.62%	282.84%

**CITY OF MILWAUKEE – WATER WORKS**

Required Supplementary Information

December 31, 2021 and 2020

(Unaudited)

Schedule of City of Milwaukee – Water Works Contributions  
City of Milwaukee GRS  
Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 1,326,361	\$ 1,353,342	\$ 1,335,012	\$ 1,392,396	\$ 1,294,608
Contributions in relation to the contractually required contributions	\$ (1,326,361)	\$ (1,353,342)	\$ (1,335,012)	\$ (1,392,396)	\$ (1,294,608)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Water Works' covered -- employee payroll	\$ 12,778,072	\$ 15,040,440	\$ 17,799,809	\$ 18,836,918	\$ 16,836,908
Contributions as a percentage of covered - employee payroll	10.38%	9.00%	7.50%	7.39%	7.69%

\*Additional years' information will be displayed as it becomes available.

*Changes of benefit terms.* There were no changes of benefit terms for any participating employee in OPEB.

*Changes of assumptions.* There were no changes in the assumptions.

The City implemented GASB Statement No. 75 in fiscal year 2017. Information prior to fiscal year 2017 is not available.