

MADISON WATER UTILITY

An Enterprise Fund of the
City of Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2024 and 2023

MADISON WATER UTILITY

An Enterprise Fund of the City of Madison, Wisconsin

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Independent Auditors' Report

To the Water Utility Board of the
Madison Water Utility

Opinion

We have audited the financial statements of the Madison Water Utility (Utility), an enterprise fund of the City of Madison, Wisconsin, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utility as of December 31, 2024 and 2023, 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 the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Utility are intended to present the financial position, the changes in financial position, and cash flows of only the Utility. They do not purport to, and do not, present fairly the financial position of the City of Madison as of December 31, 2024, and 2023, 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 opinion. 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 Utility's 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
June 24, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

GENERAL INFORMATION ABOUT MADISON WATER UTILITY

Madison recognized the need for a central water supply early in its history. The common council of the City of Madison (municipality) directed its waterworks committee to establish the Madison Waterworks on September 5, 1881. Financing was obtained and contracts let in spring of 1882. Pumping commenced on December 7, 1882. Early management was vested in the common council through its committee, and on March 2, 1884, general management was transferred to a Board of Water Commissioners. The Madison Waterworks achieved department status in the early 1960s and, at that time, became the Madison Water Utility (Utility) under a General Manager leadership with a Water Utility Board that continues today.

The Utility has always been a groundwater system despite being surrounded by lakes. The Utility currently has 22 deep wells in service with a total capacity of 67.7 million gallons per day. In common with other Wisconsin water utilities, the Public Service Commission of Wisconsin (PSCW) regulates the Utility in matters of rates, rules, and levels of service.

2024 FINANCIAL HIGHLIGHTS

- > Total operating revenues decreased \$1,153,000 or 2.0% from 2023 to 2024, and pumpage decreased 1.9% for that same period.
- > Income before capital contributions and transfers increased \$3.1 million or 12.3% from the prior year. The increase was due largely to a decrease of \$4.2 million in depreciation expense and a \$1.2 million decrease in operating revenues.
- > Capital assets increased by \$13.8 million in 2024, which were financed with the issuance of 2019 Bond Anticipation Notes (BANs), 2024 GO debt, Safe Drinking Water Loan (SDWL) and reserves.
- > Safe Drinking Water Loan approved for \$3.4 million via the DNR to partially redeem 2019 BANs.
- > Safe Drinking Water Loan approved for \$2.9 million via the DNR to fund UW 15 PFAS removal.
- > Issued \$7.3 million GO Bonds to fund UW 19 Iron and Manganese Filter.

2023 FINANCIAL HIGHLIGHTS

- > Total operating revenues increased \$9,656,000 or 20.1% from 2022 to 2023, and pumpage increased 1.7% for that same period.
- > Income before capital contributions and transfers increased \$9.4 million or 59.6% from the prior year. The increase was due largely to an increase of \$9.7 million in Operating Revenues.
- > Capital assets increased by \$9.7 million in 2023, which were financed with the issuance of 2019 Bond Anticipation Notes (BANs) and reserves. BANs in the amount of \$20 million were issued in 2019 to cover capital projects from 2019 through 2023, \$1.4 million in SDWL, and \$2.2 million due to the implementation of Expense Depreciation of replacement water mains.
- > Safe Drinking Water Loan approved for \$4.7 million via the DNR to partially redeem 2019 BANs.

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

RATES

Current rates became effective March 1, 2023. The Utility filed an application to review rates with the Public Service Commission of Wisconsin on December 16, 2024. The rate order for the most recent case was issued on December 29, 2022. The utility is currently ranked eleventh for residential rates out of eighty-two utilities classified as AB (over 4,000 customers) in Wisconsin.

UTILITY FINANCIAL ANALYSIS

The Statement of Net Position includes all the Utility's assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utility.

A summary of the Utility's Statements of Net Position is presented in Table 1 as of December 31:

Table 1
Condensed Statements of Net Position
(000's)

	2024	2023	2022
Current and Other Assets	\$ 75,931	\$ 77,074	\$ 73,102
Capital Assets	313,878	305,075	302,935
Total Assets	389,809	382,149	376,037
Deferred Outflows of Resources	7,848	11,146	9,371
Current Liabilities	19,499	33,869	18,131
Long-term Debt Outstanding	135,282	137,515	165,595
Long-term Liabilities	14,889	18,456	16,659
Total Liabilities	169,670	189,840	200,385
Deferred Inflows of Resources	10,356	12,315	17,248
Net Investment in Capital Assets	175,187	145,480	136,416
Restricted	18,895	17,941	19,332
Unrestricted	23,549	27,719	12,027
Total Net Position	\$ 217,631	\$ 191,140	\$ 167,775

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

UTILITY FINANCIAL ANALYSIS (cont.)

In 2024, total assets combined with deferred outflows of resources increased \$4.4 million and total liabilities with deferred inflows of resources decreased \$22.1 million, resulting in an increase in net position of \$26.5 million from 2023. The change was primarily due to a decrease of \$16.5 million in debt, a \$1.9 million decrease in net pension liability, a \$2.0 million decrease in deferred inflows of resources and a \$6.1 million decrease in cash and investments. In 2023, total assets combined with deferred outflows of resources increased \$7.9 million and total liabilities with deferred inflows of resources decreased \$15.5 million, resulting in an increase in net position of \$23.4 million from 2022. The change was primarily due to an increase of \$5 million in total cash and other assets, increase of \$1.1 million in net capital assets, increase in net pension asset and pension related deferred outflows of \$1.8 million, decrease in debt of \$10.5 million and decrease in net pension asset and pension related deferred inflows of \$4.9 million.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets (000's)

	2024	2023	2022
Operating Revenues	\$ 55,574	\$ 56,709	\$ 47,114
Non-operating Revenues	1,069	1,087	1,026
Total Revenues	<u>56,643</u>	<u>57,796</u>	<u>48,140</u>
Operation & Maintenance Expense	18,939	19,609	17,606
Depreciation Expense	6,638	10,813	8,462
Non-operating Expense	2,608	2,092	6,227
Total Expense	<u>28,185</u>	<u>32,514</u>	<u>32,295</u>
Income Before Capital Contributions and Transfers	28,458	25,282	15,845
Capital Contributions	4,435	4,390	4,117
Transfers, net	<u>(6,402)</u>	<u>(6,307)</u>	<u>(6,702)</u>
Change in Net Position	26,491	23,365	13,260
Beginning Net Position	<u>191,140</u>	<u>167,775</u>	<u>154,515</u>
Ending Net Assets	<u>\$ 217,631</u>	<u>\$ 191,140</u>	<u>\$ 167,775</u>

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

UTILITY FINANCIAL ANALYSIS (cont.)

The Utility's total revenues decreased \$1.2 million or 2.0% from 2023 to 2024 as a result of a 1.9% decrease in pumpage. The Utility's total revenues increased \$9.7 million 20.1% from 2022 to 2023 as a result of the rate increase implemented on March 1, 2023 and an increase of 1.7% in pumpage from 2022 to 2023.

Table 3
Operating Revenues and Expenses
(000's)

	2024	2023	2022
OPERATING REVENUES			
Unmetered Sales	\$ 333	\$ 541	\$ 414
Metered Sales			
Residential	23,020	24,001	20,466
Duplex	886	917	819
Multi-Family	11,319	11,065	9,356
Commercial	10,768	10,836	8,401
Industrial	1,107	1,135	992
Public authorities	7,448	7,490	6,124
Sales for resale	574	600	418
Total Metered Sales	55,122	56,044	46,576
Public fire protection	119	124	124
Total Sales of Water	55,574	56,709	47,114
Customer Late Payment Penalties	294	286	201
Miscellaneous	64	68	65
Rents from Water Property	393	399	375
Other	318	334	385
Total Operating Revenues	56,643	57,796	48,140
OPERATING EXPENSES			
Source of Supply	181	61	170
Pumping	4,868	4,679	4,203
Water Treatment	917	936	771
Transmission and Distribution	7,203	7,135	6,987
Customer Accounts	457	659	819
Administrative and General	4,576	5,484	4,028
Total Operation and Maintenance	18,202	18,954	16,977
Depreciation	6,638	10,813	8,462
Taxes	737	655	629
Total Operating Expenses	25,577	30,422	26,068
OPERATING INCOME	<u>\$ 31,066</u>	<u>\$ 27,374</u>	<u>\$ 22,072</u>

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

UTILITY FINANCIAL ANALYSIS (cont.)

Revenues

Total operating revenues were \$56.6 million for 2024. Pumpage decreased by 1.9% in 2024 over 2023. All classes, except multi-family, experienced a decrease in revenue in 2024.

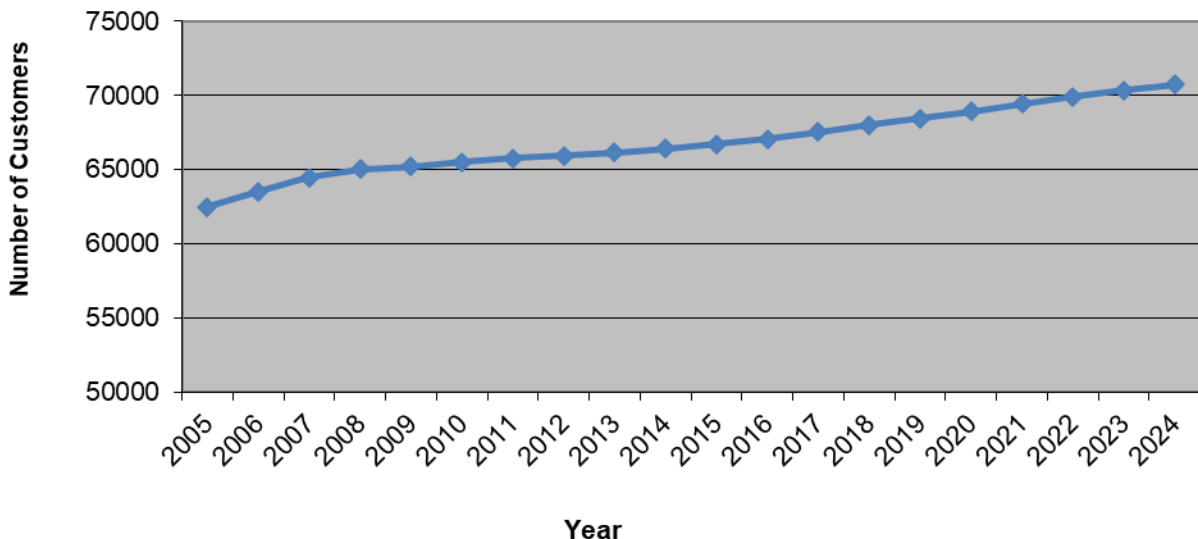
Total operating revenues were \$57.8 million for 2023. Pumpage increased by 1.7% in 2023 over 2022. New rates became effective March 1, 2023. All classes experienced an increase in revenue in 2023.

Expenses

Operation and maintenance expenses (including taxes) totaled \$19.0 million in 2024, compared to \$19.6 million in 2023, a decrease of \$600,000, or 3.1%. The decrease is primarily due to GASB 68 pension expense.

Operation and maintenance expenses (including taxes) totaled \$19.6 million in 2023, compared to \$17.6 million in 2022, an increase of \$2 million, or 11.4%. The increase is primarily due to an increase in total operating expenses. Depreciation Expense increased \$2.4 million from 2022 to 2023 due mostly to the implementation of Expense Depreciation for replacement water mains in our most recent rate order.

Customer Growth 2005 - 2024



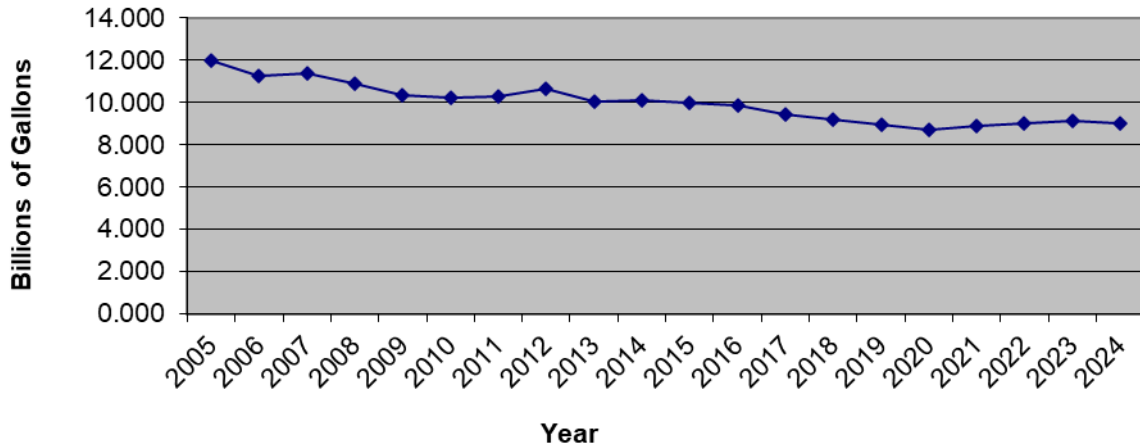
The Utility added 418 new customers in 2024 compared with 499, 522, and 496 new customers added in 2023, 2022 and 2021, respectively. The Utility added the most new customers (1,442) in 2002.

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

UTILITY FINANCIAL ANALYSIS (cont.)

Pumpage 2005 - 2024



Pumping for the year decreased 1.9% from 9.172 billion gallons in 2023 to 8.998 billion gallons in 2024.

CAPITAL EXPENDITURES

The Utility added \$14.3 million of plant in 2024. Of this amount, approximately \$3.6 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2024 included: \$7.4 million for new and replacement water mains, laterals, and hydrants, \$1.8 million for pumping plant, general plant, and telemetry equipment, \$872,000 for vehicles, power equipment and tools, and \$393,000 for our meter program.

The Utility added \$11.1 million of plant in 2023. Of this amount, approximately \$4.4 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2023 included: \$4.5 million for new and replacement water mains, laterals, and hydrants, \$1.1 million for pumping plant, general plant, and telemetry equipment, \$605,000 for power equipment and tools, and \$380,000 for our meter program.

Please refer to the notes to the financial statements for further details of the Utility's capital assets.

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

CAPITAL BORROWING

The previous policy of the Utility had been to maintain depreciation and net revenues such that depreciation funds could be used for capital projects, and net income could be used for debt retirement. Due to the increased level of planned capital spending, the Utility has looked to fund the vast majority of its capital budget needs through the sale of revenue bonds or general obligation bonds. In 2024, the Utility borrowed \$7.3 million of general obligation bonds and received \$6.3 million of SDWL. Of the \$6.3 million SDWL, the Utility received \$4.2 million in 2024. The Utility borrowed \$4.7 million of revenue bonds in 2023, \$20.3 million in general obligation bonds in 2022, \$66.7 million of revenue bonds in 2019, \$40.2 million of revenue bonds in 2018, \$38.4 million of revenue bonds in 2016 and \$41.6 million of revenue bonds in 2015. The 2024 borrowing was utilized for UW 19 Iron and Manganese Filter, UW 15 PFAS and to partially redeem the \$20 million BAN paid in full in May 2024. The 2023 SDWL borrowing was used to partially redeem the \$20 million BAN in 2023. The 2022 borrowing was used to refund \$29.4 million of 2012 and 2013 revenue bonds. The 2019 borrowing included \$20 million of bond anticipation notes (BAN) to fund the remainder of the 2019 capital projects and all of 2020, 2021 and 2022 capital projects, \$33.7 million to refund 2009A and 2010 bonds and \$13.0 million to advance refund 2011 bonds.

Management envisions a reduction in their capital borrowing in order to improve the debt to equity ratio. With that in mind, the Utility included expense depreciation in its 2021 rate case filed with the PSC on November 30, 2021. Expense depreciation is an alternative way to fund the Utility's main replacement program by effectuating a "pay as you go" funding for the main replacement program thereby reducing the amount of capital borrowing. The PSC approved expense depreciation of \$5 million annually for the Utility in its final rate order issued December 29, 2022. These funds may only be used for main replacement. The new rates were put into effect on March 1, 2023.

ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

Madison has a unique status in terms of economic stability, being the state capital and home to the University of Wisconsin – Madison and its 51,000 students, versus the national economy. While customer growth has slowed, the Utility added a net 11.6 miles of water main in the last three years as its service area has grown. Growth entails the need for additional infrastructure while meeting the challenge of upkeep of current infrastructure. Management believes that future rate increases will ensure that the Utility is well prepared to handle these challenges. While rates are expected to increase over time, management works within the Water Utility Board Policy for affordability, O-2D, maintaining increases that do not exceed 9% annualized per year.

The Utility included a two-year pilot Customer Assistance Program in the 2021 rate case filed on November 30, 2021. This program was approved by the PSC of Wisconsin on December 29, 2022 and

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2024 and 2023

ECONOMIC FACTORS AND FUTURE BUDGET ISSUES (cont.)

became effective on March 1, 2023. The program is a city-wide program being offered to Madison Municipal Services customers making less than or equal to 50% of the area median income for the Madison area calculated by the Department of Housing and Urban Development (HUD). The Utility included the Customer Assistance Program in the rate case filed on December 16, 2024.

The Utility experienced a significant decline in consumption starting in 2015 due to loss of industry, water conservation and changes in weather patterns. In 2024, consumption was down 1.9% over 2023. In 2023, consumption was up 1.7% over 2022. Management will continue to monitor these trends and revise financial goals accordingly.

UTILITY CONTACT INFORMATION

This financial report is designed to provide customers and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact the Madison Water Utility at 119 East Olin Avenue, Madison, Wisconsin 53713 or by phone at (608) 266-4651 or e-mail at water@madisonwater.org.

FINANCIAL STATEMENTS

MADISON WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 23,344,072	\$ 29,457,401
Restricted Assets		
Principal and interest account	13,217,358	13,191,166
Customer accounts receivable	3,870,874	3,628,368
Prepays	280,543	231,152
Materials and supplies	2,038,848	1,482,163
Due from municipality	670,609	854,545
Current portion of special assessments	140,691	149,512
Current portion of lease receivable	204,799	187,105
Other current assets, net	322,748	521,632
Total Current Assets	<u>44,090,542</u>	<u>49,703,044</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	11,707,128	12,190,068
Depreciation account	750,000	750,000
Assessment account	2,055,530	1,858,134
Construction account	7,492,361	2,548,254
Expense depreciation account	2,413,110	1,966,423
Other Assets		
Special assessments receivable (net of current portion)	2,184,239	2,720,347
Preliminary survey and investigation	477,248	477,248
Property held for future use	112,429	112,429
Nonutility property (net of accumulated depreciation)	558,861	558,105
Lease receivable (net of current portion)	4,089,336	4,189,638
Capital Assets		
Plant in service	446,827,525	433,050,076
Accumulated depreciation	(138,783,419)	(131,932,271)
Construction work in progress	5,833,807	3,956,980
Total Noncurrent Assets	<u>345,718,155</u>	<u>332,445,431</u>
Total Assets	<u>389,808,697</u>	<u>382,148,475</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	342,770	420,889
Deferred outflows related to pension	7,131,202	10,205,400
Deferred outflows related to OPEB	374,089	519,906
Total Deferred Outflows of Resources	<u>7,848,061</u>	<u>11,146,195</u>

See notes to financial statements

	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,359,091	\$ 1,284,005
Other current liabilities	1,997,611	1,852,959
Current portion of GO debt	2,398,727	1,730,000
Current portion of advance from municipality	-	161,533
Current portion of other liability	54,439	50,244
Current portion of SBITA liability	110,866	65,743
Current liabilities payable from restricted assets		
Current portion of revenue bonds	11,380,217	26,349,645
Accrued interest	2,198,506	2,374,736
Total Current Liabilities	<u>19,499,457</u>	<u>33,868,865</u>
NONCURRENT LIABILITIES		
Revenue bonds	111,737,860	118,900,355
Unamortized debt premium	8,587,247	9,690,362
Accrued sick leave	1,809,372	2,178,540
Total OPEB liability	2,662,733	2,875,795
GO debt	23,544,273	18,615,000
Other liability (net of current portion)	900,160	928,475
SBITA liability (net of current portion)	118,874	26,046
Customer advances for construction	90,894	113,749
Net pension liability	718,417	2,642,509
Total Noncurrent Liabilities	<u>150,169,830</u>	<u>155,970,831</u>
Total Liabilities	<u>169,669,287</u>	<u>189,839,696</u>
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on refunding	1,252,729	1,398,290
Deferred inflows related to OPEB's	615,257	754,592
Deferred inflows related to pension	4,437,038	5,923,835
Deferred inflows related to leases	4,051,019	4,238,548
Total Deferred Inflows of Resources	<u>10,356,043</u>	<u>12,315,265</u>
NET POSITION		
Net investment in capital assets	175,187,222	145,480,387
Restricted for:		
Debt service	13,676,410	13,365,880
Capital repairs and replacement	5,218,640	4,574,557
Unrestricted	<u>23,549,156</u>	<u>27,718,885</u>
TOTAL NET POSITION	<u>\$ 217,631,428</u>	<u>\$ 191,139,709</u>

See notes to financial statements

MADISON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Sales of water	\$ 55,574,220	\$ 56,708,747
Other	1,068,854	1,087,670
Total Operating Revenues	<u>56,643,074</u>	<u>57,796,417</u>
OPERATING EXPENSES		
Operation and maintenance	18,938,981	19,609,119
Depreciation	6,638,329	10,813,385
Total Operating Expenses	<u>25,577,310</u>	<u>30,422,504</u>
Operating Income	<u>31,065,764</u>	<u>27,373,913</u>
NONOPERATING REVENUES (EXPENSES)		
Merchandising and jobbing	(69,552)	(81,292)
Bond issuance costs	(29,500)	(18,000)
Investment income (loss)	2,192,829	2,432,543
Interest and amortization expense	(4,701,368)	(5,033,446)
Gain on sale of property	-	758,696
Other	-	(150,691)
Total Nonoperating Revenues (Expenses)	<u>(2,607,591)</u>	<u>(2,092,190)</u>
Income before Capital Contributions and Transfers	28,458,173	25,281,723
CAPITAL CONTRIBUTIONS	4,435,429	4,390,162
TRANSFERS IN / (OUT)	155,503	298,247
TRANSFERS - TAX EQUIVALENT	(6,626,591)	(6,639,371)
CAPITALIZED TAX EQUIVALENT	69,205	34,418
Change in Net Position	26,491,719	23,365,179
NET POSITION - Beginning of Year	<u>191,139,709</u>	<u>167,774,530</u>
NET POSITION - END OF YEAR	<u><u>\$ 217,631,428</u></u>	<u><u>\$ 191,139,709</u></u>

See notes to financial statements

MADISON WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 57,173,847	\$ 57,821,916
Received from other cash receipts	82,608	\$ -
Paid to suppliers for goods and services	(10,519,183)	(9,790,764)
Paid to employees for services	(8,373,278)	(8,219,162)
Net Cash Flows from Operating Activities	<u>38,363,994</u>	<u>39,811,990</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers - paid to municipality for tax equivalent	(6,557,386)	(6,604,953)
Principal paid on operating loan	(1,040,000)	(1,005,000)
Interest paid on operating loan	(171,833)	(204,301)
Repayment of advances from other funds	(161,533)	(153,138)
Interest paid on advances and loans from other funds	(760)	(1,189)
Transfers from (to) other funds	155,503	298,247
Net Cash Flows from Noncapital Financing Activities	<u>(7,776,009)</u>	<u>(7,670,334)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(12,603,757)	(7,458,001)
Special assessments received	213,221	362,420
Contributions in aid of construction (advances refunded)	(3,342)	(34,844)
Debt issued	11,545,722	4,675,000
Debt issuance costs	(29,500)	(18,000)
Principal and interest on other liability	(70,202)	(9,218)
Principal and interest on SBITA	(67,446)	(65,980)
Debt retired	(27,039,645)	(15,935,000)
Interest paid	(5,626,722)	(6,071,777)
Net Cash Flows from Capital and Related Financing Activities	<u>(33,681,671)</u>	<u>(24,555,400)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities purchased	(3,055,420)	-
Marketable securities sold	2,732,232	2,618,541
Investment income	2,111,799	2,366,191
Net Cash Flows from Investing Activities	<u>1,788,611</u>	<u>4,984,732</u>
Net Change in Cash and Cash Equivalents	(1,305,075)	12,570,988
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>51,651,391</u>	<u>39,080,403</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 50,346,316</u>	<u>\$ 51,651,391</u>

See notes to financial statements

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 31,065,764	\$ 27,373,913
Nonoperating income	(69,552)	(231,982)
Noncash items included in operating income		
Depreciation	6,638,329	10,813,385
Depreciation charged to other accounts	1,110,008	1,095,073
Changes in Assets and Liabilities		
Customer accounts receivable	(242,506)	107,809
Receivable from other funds	183,936	84,778
Materials and supplies	(556,685)	(252)
Other current assets	245,237	(308,637)
Accounts payable and other current liabilities	901,902	5,254
Other postemployment benefit deferrals and liabilities	(206,580)	(39,601)
Pension related deferrals and liabilities	(336,691)	777,715
Accrued compensated absences	(369,168)	134,535
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 38,363,994	\$ 39,811,990

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS

Cash and investments	\$ 23,344,072	\$ 29,457,401
Redemption account	13,217,358	13,191,166
Reserve account	11,707,128	12,190,068
Depreciation account	750,000	750,000
Assessment account	2,055,530	1,858,134
Construction account	7,492,361	2,548,254
Expense Depreciation account	2,413,110	1,966,423
Total Cash and Investments	60,979,559	61,961,446
Less: Noncash equivalents	(10,633,243)	(10,310,055)
CASH AND CASH EQUIVALENTS	\$ 50,346,316	\$ 51,651,391

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Municipality, customer and developer financed additions to utility plant	\$ 4,435,429	\$ 4,390,162
Gain on sale of property	\$ -	\$ 758,696
Capital additions assessed to customers	\$ 182,196	\$ (149,855)
Adjustments to special assessments	\$ 149,512	\$ 211,624

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

The Utility is a separate enterprise fund of the City of Madison (municipality). The Utility provides retail water service to customers in the municipality, portions of the Town of Burke, wholesale water service to the Villages of Maple Bluff and Shorewood Hills, and portions of Fitchburg Utility District No. 1.

The Utility charges rates and operates under rules authorized by the Public Service Commission of Wisconsin (PSCW). Accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW.

The Utility is managed by an eight member Water Utility Board comprised of two Madison Common Council members (each serving a two year term), five citizen members, and the Director, Public Health Madison and Dane County (ex-officio), each serving a five year term.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The Utility is presented as an enterprise fund of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

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

In June 2022, the GASB issued statement No. 100 Accounting Changes and Error Corrections. This statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This standard was implemented January 1, 2024. This statement had no impact on the current year statements.

In June 2022, the GASB issued statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented January 1, 2024. The impact of this statement was not material, therefore the prior year information was not restated.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (cont.)

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

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

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

- Time deposits in any credit union, bank, savings bank or trust company.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

The Utility, as part of the municipality, has adopted an investment policy. The policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year-end.

Restricted Assets

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

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Receivables/Payables

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. As such, no allowance for uncollectible customer Utility service billings is considered necessary.

Prepaid Expenses

Prepaid expenses include the cost of insurance and other expenses paid in the current year and attributable to future periods.

Materials and Supplies

Materials and supplies inventories are generally used for construction, operation and maintenance work, not for resale. They are valued at average cost and charged to construction and expense when used.

Other Current Assets

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

The Utility adopted the city's collection policy in 2019. All receivables greater than 90 days are evaluated and written off if deemed uncollectable. The allowance balance was \$-0- in 2024 and 2023.

Pensions

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

Special Assessments Receivable

The municipality and Utility assess the cost of system improvements and extensions to benefited properties. This account represents the long-term portion of special assessments to be collected over various periods of time. Interest is charged on the unpaid balance at various rates.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to Utility plant construction or costs incurred for the assessment of future capital facilities. The balance will be transferred as a capital asset or expense upon commencement of the project.

Property Held for Future Use

These amounts represent land, tower and well sites which are owned by the Utility but not currently used during the course of operation.

Nonutility Property

This balance includes sewer meters which are being amortized over an average period of 20 years as well as certain parcels of land related to abandoned facilities or held for future sale.

Capital Assets

Capital assets are defined by the Utility as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the Utility are recorded at cost or estimated acquisition cost at the time of contribution to the Utility. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Plant in Service	
Source of supply	22–58
Pumping	23–31
Water treatment	17–31
Transmission and distribution	18–77
General	4–34

Lease and Subscription-Based Information Technology Arrangement assets are typically amortized over the lease term.

Deferred Outflows of Resources

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

Other Current Liabilities

The balance represents amounts payable relating to accrued wages, comp time, vacation time, sick time, payroll taxes and other benefits payable and accrued interest not payable from restricted assets.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Accrued Sick Leave and Vacation Leave

Utility employees with a sick leave value greater than \$2,000 are allowed to convert, at retirement, their accumulated days to a sick leave escrow account maintained in the municipality's trust and agency fund. Utility employees that have a sick leave value equal to or less than \$2,000, at retirement, will receive the value of their sick leave on their last paycheck. No payment is made if the employee resigns or is terminated. The balance on the financial statements is based on the probability employees will be employed by the Utility at the time of retirement. The liability is liquidated from general operating revenues of the Utility.

After the satisfactory employee completion of a probationary period, vacation leave is accrued on the basis of continuous service, including periods of paid absent time. The vacation leave is granted at a rate dependent on the employee's length of service.

Customer Advances for Construction

The balance represents customer advances for construction and meters which may be refundable in part or in whole pursuant to rules prescribed and on file with the PSCW.

Long-Term Obligations

Long-term debt and other obligations are reported as Utility liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Gains or losses on refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statements of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow in the statements of net position and gains on refunding are presented as a deferred inflow of resources.

Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The Utility is a lessee and lessor for various noncancellable leases.

The Utility is a lessor because it leases the right-to-use our water towers to cell companies. As a lessor, the Utility reports a lease receivable and a corresponding deferred inflow of resources in the financial statements. The Utility continues to report and depreciate the capital assets being leased as capital assets.

The Utility is a lessee because it leases an easement to use land. As a lessee, the Utility reports a lease liability and an intangible right-to-use leased asset.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Measurement of Lease Amounts (Lessee)

The Utility's lease liability is recorded at the present value of future minimum lease payments as of the date of inception. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Utility is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor)

The Utility's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Key Estimates and Judgments

Key estimates and judgments include how the Utility determines (a) the discount rate it used to calculate the present value of the expected lease payments, (b) lease terms, and (c) lease payments

- The Utility uses the interest rate in the lease, if one is included, otherwise it uses the City's incremental borrowing rate for general obligation bonds for the current year for the discount rate.
- The lease term includes any noncancellable period of the lease.
- Lease payments are evaluated by the Utility to determine if they should be included in the measurement of the lease receivable or lease liabilities.

Remeasurement of Lease

The Utility monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

Subscription-Based Information Technology Arrangements

SBITA arrangements are defined as a contract that conveys control of the right to use another entity's underlying information technology software alone or in combination with tangible capital assets for a specified period.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Measurement of SBITAs

The Utility's subscription liability is measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The Utility's subscription asset is initially measured at the initial amount of the subscription liability, adjusted for subscriptions payments made at or before the subscription commencement date, plus capitalizable initial implementation costs. Subsequently, the Utility's subscription asset is amortized on a straight-line basis over its useful life which matches the term of the subscription. Key estimates and judgements related to SBITAs are the same as those for leases.

Key Estimates and Judgments

The Utility recognizes subscription-based information technology arrangements (SBITAs) greater than one year, and with a present value of the minimum payments greater than \$10,000. SBITAs are recorded as a liability and an intangible right-to-use asset in the statement of net position.

Remeasurement of SBITAs

The Utility monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with current and long-term liabilities on the statement of net position.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on the same basis as they are reported by the municipality's OPEB Plan. For this purpose, the municipality OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

REVENUES AND EXPENSES

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

Charges for Services

Utility billings are rendered and recorded based on actual service provided. The Utility does not accrue revenues beyond billing dates.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES (cont.)

Capital Contributions

Cash and capital assets are contributed to the Utility from customers, the municipality, or external parties. The value of property contributed to the Utility is reported as revenue on the statements of revenues, expenses, and changes in net position.

Transfers – Tax Equivalent

The Utility records an annual payment in lieu of taxes (PILOT) expense based on the value of its capital assets times the current assessment ratio and local and school portions of the mill rate.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has issued GASB Statement No. 102, *Certain Risk Disclosures*, Statement No. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

COMPARATIVE DATA

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

NOTE 2 – DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Associated Risks
	2024	2023	
Other Investment Pool	\$ 45,667,266	\$ 47,271,189	(A)
Money Market Mutual Funds	4,657,950	4,359,102	Custodial credit, interest rate
U.S. Agencies – implicitly guaranteed	9,523,550	10,215,930	Custodial credit, credit, concentration and interest rate risks
Corporate Notes, State and Local Bonds	1,109,693	94,125	Custodial credit, credit, concentration and interest rate risks
Working Funds – Petty Cash	21,100	21,100	None
Totals	<u>\$ 60,979,559</u>	<u>\$ 61,961,446</u>	

(A) – The other investment pool is commingled with the municipality; therefore, the risk pertaining specifically to the Utility cannot be determined individually. Please refer to the municipality's financial statements.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$1,000,000. Of the utilities' investments, \$500,000 have coverage from the Securities Investor Protection Corporation (SIPC).

The Utility may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the Utility alone. Therefore, coverage for the Utility may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

FAIR VALUE

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

At December 31, 2024 and 2023, the Utility had investments in US Agency and Corporate Note, State and Local Bond Securities of \$10,633,243 and \$10,310,055, respectively. These investments were valued using Level 2 input. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., "market-corroborated" inputs. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Market-corroborated inputs

In addition to US Agency, Corporate Note, State and Local Bond Securities and Money Market Mutual Funds, the Utility maintains certain investments commingled with the municipality. The fair value hierarchy pertaining specifically to the Utility's resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on the fair value measurements.

CUSTODIAL CREDIT RISK

Deposits

Custodial credit risk is the risk that in an event of a financial institution failure, the Utility's deposits may not be returned to the Utility.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK (cont.)

The Utility maintains certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the Utility's resources at these institutions cannot be determined individually for those accounts. The following is a summary of the Utility's total deposit balances at these institutions on December 31:

	2024		2023	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
US Bank	\$ 4,657,950	\$ 4,657,950	\$ 4,359,102	\$ 4,359,102

The municipality's investment policy addresses this risk by requiring security for all cash and investments maintained in any financial institution designated as a depository. The municipality exercises this authority under Sec. 34.07 of the Wisconsin Statutes which states that security may be required of any public depository for any public deposits that exceed the amount of deposit insurance provided by an agency of the United States or by the Wisconsin public deposit guarantee program. The Utility is covered under the municipality's collateral agreements.

Investments

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

The Utility's investments included \$10,633,243 and \$10,310,055 of U.S. Agencies and Corporate Note, State and Local Bond securities which were exposed to custodial credit risk as of December 31, 2024 and 2023, respectively, because the investments were neither insured nor registered and are held by counterparty.

The municipality's investment policy addresses this risk by requiring funds in excess of insured or guaranteed limits to be secured by some form of collateral. The municipality will accept for collateral any of the following assets: obligations of the United States government or an agency or instrumentality of the United States government; obligations of the State of Wisconsin; investment grade obligations of Wisconsin local jurisdictions; obligations of the City of Madison. The fair market value of all collateral pledged will be not less than 110% of the amount of public funds to be secured at each institution. The ratio of fair market value of collateral to the amount of funds secured will be reviewed regularly and additional collateral will be requested when this ratio declines below the level required. Pledged collateral will be held in safekeeping by a third party. All collateral agreements will be written so as to preclude release of the assets without an authorized signature from the municipality. The municipality will allow for even exchange of collateral.

INTEREST RATE RISK, CREDIT RISK AND CONCENTRATION RISK

Interest rate risk is the risk changes in interest rates will adversely affect the fair market value of an investment. All U.S. Agency, State and Local Bond securities and Money Market Mutual Funds mature within six years.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

INTEREST RATE RISK, CREDIT RISK AND CONCENTRATION RISK (cont.)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2024 and 2023, all of the U.S. Agency investments were rated Aaa by Moody's Investors Service. All of the State and Local Bond investments were rated Aaa or Aa1 by Moody's Investors Service or AA+ by S&P.

Concentration risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. As of December 31, 2024, the Utility had 16% of its portfolio in Federal Home Loan Bank system securities, 8% in Federal National Mortgage Association ("Fannie Mae") system securities and 5% in Federal Farm Credit Bank system securities. As of December 31, 2023, the Utility had 12% of its portfolio in Federal Farm Credit Bank system securities, 11% of its portfolio in Federal Home Loan Bank system securities and 9% of its portfolio in Federal National Mortgage Association ("Fannie Mae") system securities.

The investment policy addresses these risks by permitting investments which mature to meet cash requirements, following state statutes as to allowable investments and limiting certificates with any one institution to 25% of the overall portfolio.

NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances as of December 31, 2024 and 2023:

Due To	Due From	2024		2023	
		Amount	Principal Purpose	Amount	Principal Purpose
Water	Municipality	\$ 670,609	Delinquent water bills and special assessments on tax roll	\$ 854,545	Delinquent water bills and special assessments on tax roll

The following is a schedule of transfer balances as of December 31, 2024 and 2023:

To	From	2024		2023	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 6,626,591	Tax equivalent	\$ 6,639,371	Tax equivalent
Water	Sewer	155,503	Operating expenses	298,247	Operating expenses

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 4 – RESTRICTED ASSETS

RESTRICTED ACCOUNTS

Certain proceeds of the Utility's revenue bonds, as well as certain resources set aside for their repayment along with certain proceeds of the Utility's revenue from sale of water are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants or set aside for the replacement of water main pipe. The following accounts are reported as restricted assets:

Principal and interest	– Used solely for the purpose of paying principal and interest on the bonds or parity bonds.
Reserve	– Used solely for the purpose of paying principal and interest on the bonds or parity bonds whenever the balance in the principal and interest account is insufficient for that purpose.
Assessment fund	– Used for the purpose of paying construction costs for projects special assessed to customers.
Depreciation	– Used for the payment of principal and interest on the bonds and parity bonds whenever the balance in the principal and interest account is insufficient for that purpose, to remedy any deficiency in the principal and interest account, or to make extraordinary repairs or improvements to the Utility.
Construction	– Used to report bond proceeds restricted for use in construction.
Expense depreciation	– Used to fund water main replacement in construction.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 4 – RESTRICTED ASSETS (cont.)

The following calculation supports the amount of restricted net position:

	December 31,	
	2024	2023
Restricted Assets		
Current restricted assets		
Principal and interest	\$ 13,217,358	\$ 13,191,166
Noncurrent Restricted Assets		
Reserve – See Note (A)	11,707,128	12,190,068
Construction	7,492,361	2,548,254
Assessment fund	2,055,530	1,858,134
Depreciation	750,000	750,000
Expense depreciation	2,413,110	1,966,423
Total Noncurrent Restricted Assets	24,418,129	19,312,879
Total Restricted Assets	37,635,487	32,504,045
Less: Restricted Assets not Funded by Revenues		
Reserve – See Note (A)	(9,049,570)	(9,640,618)
Construction	(7,492,361)	(2,548,254)
Current Liabilities Payable from Restricted Assets	(2,198,506)	(2,374,736)
Total Restricted Net Position	\$ 18,895,050	\$ 17,940,437
The purpose of the restricted net position is as follows:		
Debt service	\$ 13,676,410	\$ 13,365,880
Capital repairs and replacement	5,218,640	4,574,557
Total	\$ 18,895,050	\$ 17,940,437

Note (A) – The Reserve Fund consists of both proceeds received from prior bond issuances earmarked for the Reserve Fund and funds contributed by the Utility. Only those proceeds contributed specifically from bond proceeds are classified as restricted assets in the Reserve Fund.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2024 follows:

	1/1/24 Balance	Increases	Decreases	12/31/24 Balance
Capital assets, not being depreciated				
Land and land rights	\$ 3,129,640	\$ 4,073	\$ -	\$ 3,133,713
Capital assets being depreciated				
Source of supply	14,530,229	328,696	-	14,858,925
Pumping	26,087,258	1,433,193	258,373	27,262,078
Water treatment	5,817,023	108,249	18,867	5,906,405
Transmission and distribution	343,145,583	11,951,572	561,691	354,535,464
General	40,340,343	1,088,027	297,430	41,130,940
Total Capital Assets				
Being Depreciated	429,920,436	14,909,737	1,136,361	443,693,812
Total Capital Assets	433,050,076	14,913,810	1,136,361	446,827,525
Less: Accumulated Depreciation				
Source of supply	(7,778,374)	(542,567)	-	(8,320,941)
Pumping	(12,525,697)	(1,009,672)	268,612	(13,266,757)
Water treatment	(1,957,420)	(214,246)	20,385	(2,151,281)
Transmission and distribution	(90,922,083)	(6,722,059)	2,778,857	(94,865,285)
General	(18,748,697)	(1,728,416)	297,958	(20,179,155)
Total Accumulated Depreciation	(131,932,271)	(10,216,960)	3,365,812	(138,783,419)
Construction in progress	3,956,980	12,585,597	10,708,770	5,833,807
Net Capital Assets	\$ 305,074,785			\$ 313,877,913

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2024 and 2023

NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for 2023 follows:

	1/1/23 Balance	Increases	Decreases	12/31/23 Balance
Capital assets, not being depreciated				
Land and land rights	\$ 3,144,738	\$ 936	\$ 16,034	\$ 3,129,640
Capital assets being depreciated				
Source of supply	14,386,109	284,214	140,094	14,530,229
Pumping	25,351,084	849,913	113,739	26,087,258
Water treatment	5,792,110	58,688	33,775	5,817,023
Transmission and distribution	334,387,098	9,477,758	719,273	343,145,583
General	40,039,553	724,030	423,240	40,340,343
Total Capital Assets				
Being Depreciated	419,955,954	11,394,603	1,430,121	429,920,436
Total Capital Assets	423,100,692	11,395,539	1,446,155	433,050,076
Less: Accumulated Depreciation				
Source of supply	(7,314,142)	(470,326)	6,094	(7,778,374)
Pumping	(11,680,855)	(968,532)	123,690	(12,525,697)
Water treatment	(1,782,584)	(210,817)	35,981	(1,957,420)
Transmission and distribution	(82,979,208)	(8,702,271)	759,396	(90,922,083)
General	(17,371,260)	(1,800,919)	423,482	(18,748,697)
Total Accumulated Depreciation	(121,128,049)	(12,152,865)	1,348,643	(131,932,271)
Construction in progress	1,953,288	8,624,694	6,621,002	3,956,980
Net Capital Assets	<u>\$ 303,925,931</u>			<u>\$ 305,074,785</u>

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 6 – LONG-TERM OBLIGATIONS

REVENUE BONDS

Date	Purpose	Final Maturity	Interest Rates	Original Amount	12/31/2024 Amount Outstanding
12/17/15	System improvements	1/1/36	2.85 – 5.00%	\$ 41,610,000	\$ 28,265,000
12/28/16	Refunding debt and system improvements	1/1/37	1.24 – 3.82	38,420,000	23,820,000
12/20/18	Series A – System Improvements	1/1/39	4.00	30,765,000	25,195,000
12/20/18	Series B - Operations	1/1/28	3.00 – 3.55	9,390,000	4,510,000
12/19/19	Series A - Refunding 2009A and 2010 bonds	1/1/31	2.00 – 5.00	33,680,000	23,500,000
12/19/19	Series B – Refunding 2011 bonds	1/1/32	1.70 – 2.65	13,055,000	9,125,000
12/19/19	Bond anticipation notes – system improvements	11/1/24	1.50	20,000,000	-
10/11/23	SDWL 4837-06 – Pipeline and repayment of BAN*	5/1/43	2.15	4,675,000	4,485,355
5/22/24	SDWL 4837-12 – Pipeline and repayment of BAN*	5/1/44	2.15	3,365,000	3,365,000
7/24/24	SDWL 4837-09 – UW 15 PFAS Mitigation*	5/1/44	2.15	852,722	852,722
Totals				<u>\$ 195,812,722</u>	<u>\$ 123,118,077</u>

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

Revenue bond debt service requirements to maturity follows:

Year Ending December 31:	Revenue Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2025	\$ 11,050,000	\$ 4,089,461	\$ 330,217	\$ 183,241	\$ 15,652,919
2026	11,485,000	3,608,004	374,127	175,586	15,642,717
2027	11,490,000	3,136,099	382,152	167,475	15,175,726
2028	11,985,000	2,655,165	390,350	159,189	15,189,704
2029	11,620,000	2,191,945	398,722	150,726	14,361,393
2030-2034	36,190,000	6,696,796	2,125,631	620,198	45,632,625
2035-2039	20,595,000	1,525,705	2,363,598	379,681	24,863,984
2040-2044	-	-	2,338,280	115,344	2,453,624
Totals	<u>\$ 114,415,000</u>	<u>\$ 23,903,175</u>	<u>\$ 8,703,077</u>	<u>\$ 1,951,440</u>	<u>\$ 148,972,692</u>

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

GENERAL OBLIGATION BONDS

						12/31/2024 Amount
<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>		<u>Outstanding</u>
10/6/2022	Refunding - System Improvements	10/1/2033	4.00 - 5.00%	\$ 22,035,000		\$ 18,615,000
9/5/2024	Unit Well 19	10/1/2043	5.00	7,328,000		7,328,000
				<u>\$ 29,363,000</u>		<u>\$ 25,943,000</u>

General obligation bond debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	2,398,727	1,275,754	3,674,481
2026	2,488,727	1,129,915	3,618,642
2027	2,578,727	1,005,479	3,584,206
2028	2,673,727	876,542	3,550,269
2029	2,773,727	742,856	3,516,583
2030-2034	11,634,610	1,642,035	13,276,645
2035-2039	774,864	232,459	1,007,323
2040-2043	619,891	61,989	681,880
Totals	<u>\$ 25,943,000</u>	<u>\$ 6,967,029</u>	<u>\$ 32,910,029</u>

The bonds are secured by a pledge of the redemption fund, net Utility revenues and a mortgage lien on Utility plant. Principal and interest paid for 2024 and 2023 were \$31,139,701 and \$15,817,486, respectively. Total customer net revenues as defined for 2024 and 2023 were \$39,896,922 and \$40,619,841, respectively. Annual principal and interest payments are expected to require 19% of net revenues.

OTHER LIABILITY

The Utility has entered into a long-term easement for land. The terms and conditions for this obligation correlate to the water tower agreements for Northport Dr water tower, expiring May 31, 2037 and February 28, 2038.

						12/31/24 Amount
<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>		<u>Outstanding</u>
1/1/2021	Use of land	5/31/2037-2/28/2038	0.935864%	\$ 1,123,944		\$ 954,599

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

OTHER LIABILITY (cont.)

Future annual contract payments for the year ended December 31, 2024 follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	54,439	8,999	63,438
2026	57,536	8,440	65,976
2027	60,766	7,849	68,615
2028	64,136	7,223	71,359
2029	67,652	6,562	74,214
2030-2034	396,496	21,547	418,043
2035-2037	253,574	2,618	256,192
	<u>\$ 954,599</u>	<u>\$ 63,238</u>	<u>\$ 1,017,837</u>

The Utility has also recorded a right to use asset to be recognized consistent with the revenues on the corresponding agreements.

SBITA LIABILITY

The Utility, as a lessee, has entered into multiple SBITAs. As of December 31, 2024 and 2023 the SBITA obligation was \$229,740 and \$91,789. The SBITAs have interest rates between 2.81% and 3.57% and have an estimated life of 3 to 6 years. The Utility made \$65,743 and \$60,032 of principal and \$1,703 and \$3,314 of interest payments related to these SBITAs for the fiscal year ended December 31, 2024 and 2023.

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>12/31/2024 Amount Outstanding</u>
8/1/2020 - 7/28/2023	SBITA Obligations	7/31/2025-1/6/2028	2.81 - 3.57%	\$ 514,535	\$ 229,740

The Utility's total SBITA payments are as follows:

<u>Year Ended December 31:</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2025	110,866	3,456	114,322
2026	111,924	193	112,117
2027	6,950	-	6,950
	<u>229,740</u>	<u>3,649</u>	<u>233,389</u>
Less: Current Portion	(110,866)	(3,456)	(114,322)
Long-term portion as of December 31, 2024	<u>\$ 118,874</u>	<u>\$ 193</u>	<u>\$ 119,067</u>

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

LONG-TERM OBLIGATIONS SUMMARY

Long-term obligation activity for the year ended December 31, 2024, is as follows:

	1/1/24 Balance	Additions	Reductions	12/31/24 Balance	Due Within One Year
Revenue bonds	\$ 145,250,000	\$ 4,217,723	26,349,646	\$ 123,118,077	\$ 11,380,217
General obligation bonds	20,345,000	7,328,000	1,730,000	25,943,000	2,398,727
Accrued sick leave	2,178,540	322,440	691,608	1,809,372	-
Customer advances for construction	113,749	432,470	455,325	90,894	-
Advance from municipality	161,533	-	161,533	-	-
Other Liability	978,719	-	24,120	954,599	54,439
SBITA Liability	91,789	301,022	163,071	229,740	110,866
Unamortized debt premium	9,690,362	-	1,103,115	8,587,247	-
Totals	<u>\$ 178,809,692</u>	<u>\$ 12,601,655</u>	<u>\$ 30,678,418</u>	<u>\$ 160,732,929</u>	<u>\$ 13,944,249</u>

Long-term obligation activity for the year ended December 31, 2023, is as follows:

	1/1/23 Balance	Additions	Reductions	12/31/23 Balance	Due Within One Year
Revenue bonds	\$ 155,825,000	\$ 4,675,000	15,250,000	\$ 145,250,000	\$ 26,349,645
General obligation bonds	22,035,000	-	1,690,000	20,345,000	1,730,000
Accrued sick leave	2,044,005	310,181	175,646	2,178,540	-
Customer advances for construction	148,592	511,893	546,736	113,749	-
Advance from municipality	314,671	-	153,138	161,533	161,533
Other Liability	1,026,230	-	47,511	978,719	50,244
SBITA Liability	-	154,151	62,362	91,789	65,743
Unamortized debt premium	10,793,478	-	1,103,116	9,690,362	-
Totals	<u>\$ 192,186,976</u>	<u>\$ 5,651,225</u>	<u>\$ 19,028,509</u>	<u>\$ 178,809,692</u>	<u>\$ 28,357,165</u>

CURRENT REFUNDING

On May 1, 2024 and July 24, 2024, the Utility obtained two Safe Drinking Water Loan (SDWL) from the Wisconsin Department of Natural Resources in the amount of \$3,365,000 and \$852,723 with an average interest rate of 2.15%. The \$3,365,000 SDWL was utilized to redeem a partial bond anticipation note in the amount of \$20,000,000 maturing on November 1, 2024. The bond anticipation note was paid in full on May 24, 2024. The \$852,723 SDWL is to fund the mitigation of Unit Well 15 for Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) and includes a 50% principal forgiveness.

On October 11, 2023, the Utility obtained a Safe Drinking Water Loan from the Wisconsin Department of Natural Resources in the amount of \$4,675,000 with an average interest rate of 2.15% utilized to redeem a partial bond anticipation note in the amount of \$20,000,000 due to mature on November 1, 2024. The new bond anticipation note principal amount as of December 31, 2023 is now \$15,325,000.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

COMPLIANCE WITH FUNDING REQUIREMENTS

The Utility is required to comply with various debt covenants as a result of issuing revenue bonds. One such requirement states that net revenues earned must be at least 1.25 times the highest combined annual principal and interest requirements on outstanding revenue bonds. The Utility met this requirement in 2024 and 2023.

NUMBER OF CUSTOMERS

At December 31, 2024 and 2023, the Utility served the following number of customers:

	<u>2024</u>	<u>2023</u>
Residential	59,479	59,273
Multifamily	4,937	4,908
Duplex	2,166	2,173
Commercial	5,600	5,558
Industrial	92	94
Public Authority	<u>868</u>	<u>857</u>
Totals	<u><u>73,142</u></u>	<u><u>72,863</u></u>

WATER PUMPED AND BILLED

During the years ended December 31, 2024 and 2023, the following amounts of water were pumped and billed:

	<u>(000 gallons)</u>	
	<u>2024</u>	<u>2023</u>
Water pumped	<u>8,997,926</u>	<u>9,272,248</u>
Water billed	<u>7,833,050</u>	<u>8,262,477</u>

RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 7 – NET POSITION

GASB No. 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets; rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – The component of net position consisting of net position that does not meet the definition of "restricted" or "net investment in capital assets".

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

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 7 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

	December 31,	
	2024	2023
Plant in Service	\$ 446,827,525	\$ 433,050,076
Accumulated Deprecation	(138,783,419)	\$ (131,932,271)
Construction in Progress	5,833,807	\$ 3,956,980
Subtotals	<u>313,877,913</u>	<u>305,074,785</u>
Less: Capital Related Debt		
Current portion of capital related long-term debt - See Note (A)	12,708,944	27,039,645
Current portion of contract liability	54,439	50,244
Current portion of SBITA liability	110,866	65,743
Lease liability (net of current portion)	900,160	928,475
SBITA liability (net of current portion)	118,874	26,046
Long-term portion of capital related long-term debt - See Note (A)	131,842,133	133,005,354
Unamortized debt premium	8,587,247	9,690,362
Unamortized gain on advance refunding	1,252,729	1,398,290
Unamortized loss on advance refunding	(342,770)	(420,889)
Subtotals	<u>155,232,622</u>	<u>171,783,270</u>
Add: Borrowed Funds on Hand		
Reserve Funds	9,049,570	9,640,618
Construction fund	7,492,361	2,548,254
Subtotals	<u>16,541,931</u>	<u>12,188,872</u>
Total Net Investment In Capital Assets	<u>\$ 175,187,222</u>	<u>\$ 145,480,387</u>

Note (A) – The 2018 Series B bonds are not included in this calculation as the debt was for operating purposes and not capital

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

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

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

General Information about the Pension Plan (cont.)

Postretirement adjustments (cont.)

Year	Core Fund Adjustment	Variable Fund Adjustment
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21
2021	5.1	13
2022	7.4	15
2023	1.6	(21.0)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$734,577 and \$656,253 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2024 and December 31, 2023 are:

	2024		2023	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.90%	6.90%	6.80%	6.80%
Protective with Social Security	6.90%	14.30%	6.80%	13.20%
Protective without Social Security	6.90%	19.10%	6.80%	18.10%

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

At December 31, 2024, the Utility reported a liability (asset) of \$718,417 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2022, rolled forward to December 31, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2023, the municipality's proportion was 1.87830029%, which was an increase of 0.013262% from its proportion measured as of December 31, 2022.

At December 31, 2023, the Utility reported a liability (asset) of \$2,642,509 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the municipality's proportion was 1.86503864%, which was an increase of 0.016987% from its proportion measured as of December 31, 2021.

For the years ended December 31, 2024, and 2023, the Utility recognized pension expense of (\$336,691) and \$777,715, respectively.

At December 31, 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,733,670	\$ (4,421,561)
Changes in assumptions	408,002	-
Net differences between projected and actual earnings on pension plan investments	2,247,891	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,062	(15,477)
Employer contributions subsequent to the measurement date	734,577	-
Totals	<u>\$ 7,131,202</u>	<u>\$ (4,437,038)</u>

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

At December 31, 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,885,238	\$ (5,903,381)
Changes in assumptions	594,677	-
Net differences between projected and actual earnings on pension plan investments	4,062,171	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,061	(20,454)
Employer contributions subsequent to the measurement date	656,253	-
	<u>\$ 10,205,400</u>	<u>\$ (5,923,835)</u>
Totals		

Deferred outflows related to pension resulting from WRS Employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2024	
Year Ended December 31	Water Utility
2025	\$ 400,442
2026	418,921
2027	1,644,623
2028	(504,398)
2029	-
Total	<u>\$ 1,959,588</u>

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

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

	2024	2023
Actuarial valuation date	December 31, 2022	December 31, 2021
Measurement date of net Pension liability (Asset)	December 31, 2023	December 31, 2022
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair value	Fair value
Long-term expected rate of return	6.8%	6.8%
Discount rate	6.8%	6.8%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2020 Experience Mortality Table	Wisconsin 2020 WRS Experience Mortality Table
Post-retirement adjustments*	1.7%	1.7%

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total pension liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the December 31, 2022 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2024 are summarized in the following table:

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	48.0%	7.6%	5.0%
Fixed Income	25.0	5.3	2.7
Inflation Sensitive Assets	19.0	3.6	1.1
Real Estate	8.0	5.2	2.6
Private Equity/Debt	15.0	9.6	6.9
<i>Total Core Fund</i>	115.0	7.4	4.8
<u>Variable Fund Asset Class</u>			
US Equities	70.0	7.2	4.6
International Equities	30.0	8.1	5.5
<i>Total Variable Fund</i>	100.0	7.7	5.1

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2022 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	40.0%	7.3%	4.5%
Fixed Income	27.0	5.8	3.0
Inflation Sensitive Assets	19.0	4.4	1.7
Real Estate	8.0	5.8	3.0
Private Equity/Debt	18.0	9.6	6.7
<i>Total Core Fund</i>	100.0	7.4	4.6
Variable Fund Asset Class			
US Equities	70.0	6.8	4.0
International Equities	30.0	7.6	4.8
<i>Total Variable Fund</i>	100.0	7.3	4.5

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.7%

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 12% policy leverage is used, subject to an allowable range of up to 20%

Single discount rate. A single discount rate of 6.80 percent was used to measure the total pension liability (asset) as of December 31, 2024 and December 31, 2023. This single discount rate was based on the expected rate of return on pension plan investments of 6.80 and a municipal bond rate of 3.77 percent and 4.05 percent, in 2024 and 2023 respectively. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2024 and 2023, respectively. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.80 percent expected rate of return implies that a dividend of approximately 1.7 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

Sensitivity of the Utility's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the utilities' proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

The sensitivity analysis as of December 31, 2024 is as follows:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Utility's proportionate share of the net pension liability (asset)	\$ 6,937,069	\$ 718,417	\$ (3,634,229)

The sensitivity analysis as of December 31, 2023 is as follows:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Utility's proportionate share of the net pension liability (asset)	\$ 8,755,677	\$ 2,642,509	\$ (1,570,315)

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

The Utility 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 is shown as a change in beginning net position for 2018. The prior year balances for deferred outflows of resources, deferred inflows of resources, and the total OPEB liability were not restated due to the measurement date used for the calculation of the balances and the timing of the information received by the Plan.

The municipality sponsors a single-employer defined benefit healthcare plan, (the plan) in which the Utility participates. The plan provides healthcare coverage to active and eligible retired municipal employees and their spouses. The plan is affiliated with the Wisconsin Public Employer's Group Health Insurance – Dane County service area plan, a purchasing plan administered by the State of Wisconsin. Benefit provisions are established through collective bargaining agreements. The plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

GENERAL INFORMATION ABOUT THE OPEB PLAN (cont.)

The plan provides eligible retirees with the opportunity to stay on the municipality's health insurance plan. Contribution requirements are established by statute and employee handbooks. Eligible retirees and spouses contribute the full amount of the premiums. As the eligibility requirements for different classes of employees vary, please see the audit report of the municipality for complete details of all benefits offered as well as the funding policy and required contribution rates. See the municipality's Comprehensive Annual Financial Report for more information on the Plan.

Employees covered by benefit terms. At December 31, 2024 and 2023, the following employees were covered by the benefit terms:

	Water Utility	
	2024	2023
Inactive plan members or beneficiaries currently receiving benefit payments	27	27
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	105	111
	<u>132</u>	<u>138</u>

TOTAL OPEB LIABILITY

At December 31, 2024, the Utility's total OPEB liability of \$2,662,733 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date. At December 31, 2023, the Utility's total OPEB liability was \$2,875,795 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

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

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

	2024	2023
Actuarial valuation date	December 31, 2024	December 31, 2023
Inflation	2.40% per year	2.50% per year
Salary increases	2.0 – 6.0%	3.00%
Investment rate of return	4.00% as of January 1, 2024 and 4.28% as of December 31, 2024	4.31% as of January 1, 2023 and 4.00% as of December 31, 2023
Healthcare cost trend rates	7.5% initially reduced by decrements to an ultimate rate of 4.5% after 7 years	8% initially reduced by decrements to an ultimate rate of 4.5% after 7 years
Retirees' share of benefit-related costs	100%	100%
Discount rate	4.28%	4.00%

The discount rate was based on the yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) as of the measurement date.

Mortality Rates are based on SOA RPH-2020 Total Dataset Mortality Table fully generational using Scale MP-2021.

Other assumptions are based on a City-determined analysis of past trends and future expectations.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2024 and 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balances at January 1, 2024	\$ 2,875,795
Changes for the year:	
Allocation changes	(273,679)
Service cost	178,857
Interest	108,448
Change in benefit terms	-
Differences between expected and actual experience	(21,687)
Changes in assumptions	(64,084)
Benefit payments	(140,917)
Net changes	(213,062)
Balances at December 31, 2024	\$ 2,662,733
	Total OPEB Liability
Balances at January 1, 2023	\$ 2,532,950
Changes for the year:	
Allocation changes	(117,074)
Service cost	169,425
Interest	108,843
Change in benefit terms	-
Differences between expected and actual experience	127,168
Changes in assumptions	175,656
Benefit payments	(121,173)
Net changes	342,845
Balances at December 31, 2023	\$ 2,875,795

There was a change in the discount rate from 4.00% to 4.28% from December 31, 2023 to December 31, 2024.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

As of December 31, 2024:	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total OPEB liability	\$ 2,881,273	\$ 2,662,733	\$ 2,463,627

As of December 31, 2023:	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 3,108,524	\$ 2,875,795	\$ 2,663,846

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of December 31, 2024:	1% Decrease (6.50%)	Healthcare Cost Trend Rates (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 2,406,659	\$ 2,662,733	\$ 2,962,366

As of December 31, 2023:	1% Decrease (7.00%)	Healthcare Cost Trend Rates (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 2,588,975	\$ 2,875,975	\$ 3,214,090

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 9 – 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, 2024 and 2023, the Utility recognized OPEB expense of \$228,583 and \$225,044, respectively. At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 374,089	\$ (287,317)	\$ 519,906	\$ (312,152)
Differences between expected and actual experience	-	(327,940)	-	(442,440)
Total	\$ 374,089	\$ (615,257)	\$ 519,906	\$ (754,592)

Deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2025	\$	(56,956)
2026		(31,153)
2027		(39,732)
2028		(68,641)
2029		(57,494)
Thereafter		12,808
Total	\$	(241,168)

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 10 – LEASES

Water Utility as Lessor

The Utility has leased the right to place cellular antennas on water towers to various cellular companies.

A summary of lease activities for December 31, 2024 follows:

<u>Lessee</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Receivable Balance 12/31/2024</u>	<u>Deferred Inflow Balance 12/31/2024</u>
Verizon Wireless (Primeco)	6/1/1997	5/31/2027	0.935864 \$	594,557 \$	557,213
New Cingular Wireless ATT Mobility	1/12/1998	1/11/2023	0.935864	631,688	576,817
Sprint Spectrum LP	3/1/1998	2/28/2028	0.935864	630,704	580,821
Sprint Spectrum LP	6/1/2004	5/31/2024	0.935864	-	-
Verizon Wireless Personal Communications LP	10/10/2016	10/9/2026	0.935864	471,419	454,667
New Cingular Wireless PCS LLC	12/5/2021	12/4/2031	2.813855	613,015	593,164
New Cingular Wireless PCS LLC	4/1/2022	5/31/2027	2.813855	615,395	576,746
New Cingular Wireless PCS LLC	7/1/2022	6/30/2027	2.813855	632,861	605,955
Madison Gas and Electric Company	5/28/2024	5/27/2027	2.930256	52,248	52,818
Madison Gas and Electric Company	5/28/2024	5/27/2027	2.930256	52,248	52,818
			\$	4,294,135	\$ 4,051,019

A summary of lease activities for December 31, 2023 follows:

<u>Lessee</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Receivable Balance 12/31/2023</u>	<u>Deferred Inflow Balance 12/31/2023</u>
Verizon Wireless (Primeco)	6/1/1997	5/31/2027	0.935864 \$	629,231 \$	602,089
New Cingular Wireless ATT Mobility	1/12/1998	1/11/2023	0.935864	664,621	621,087
Sprint Spectrum LP	3/1/1998	2/28/2028	0.935864	663,585	624,934
Sprint Spectrum LP	6/1/2004	5/31/2024	0.935864	-	18,189
Verizon Wireless Personal Communications LP	10/10/2016	10/9/2026	0.935864	502,363	493,283
New Cingular Wireless PCS LLC	12/5/2021	12/4/2031	2.813855	632,819	628,205
New Cingular Wireless PCS LLC	4/1/2022	5/31/2027	2.813855	633,078	610,181
New Cingular Wireless PCS LLC	7/1/2022	6/30/2027	2.813855	651,046	640,580
			\$	4,376,743	\$ 4,238,548

The Utility recognized \$298,225 and \$318,631 of lease revenue as of December 31, 2024 and 2023, respectively.

The Utility recognized \$77,242 and \$78,321 of interest revenue as of December 31, 2024 and 2023, respectively.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2024 and 2023

NOTE 11 – COMMITMENTS AND CONTINGENCIES

CLAIMS AND JUDGMENTS

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

OPEN CONTRACTS

The Utility has construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2024 and 2023 has been accrued in these financial statements.

NOTE 12 – SUBSEQUENT EVENTS

The Utility evaluated subsequent events through the date that the financial statements were available to be issued for events requiring recording or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON WATER UTILITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2024

The required supplementary information presented below represents the proportionate information for the enterprise fund included in this report.

<u>Fiscal Year Ending</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>Utility's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
12/31/24	1.86022%	\$ 718,417	\$ 9,650,779	7.44%	98.85%
12/31/23	1.84596%	2,642,509	9,098,831	29.04%	95.72%
12/31/22	1.82854%	(4,074,884)	8,744,178	46.60%	106.02%
12/31/21	1.80992%	(3,317,731)	9,215,274	36.00%	105.26%
12/31/20	1.78515%	(1,803,263)	9,089,634	19.84%	102.96%
12/31/19	1.74728%	2,015,781	8,837,448	22.81%	96.45%
12/31/18	1.68891%	(1,594,540)	8,270,529	19.28%	102.93%
12/31/17	1.62005%	438,906	7,895,803	5.56%	99.12%
12/31/16	1.58205%	880,490	7,765,706	11.34%	98.20%
12/31/15	1.57042%	(1,359,015)	7,847,129	17.32%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2024

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/24	\$ 734,577	\$ 734,577	\$ -	\$ 10,646,043	6.90%
12/31/23	656,253	656,253	-	9,650,779	6.80%
12/31/22	591,424	591,424	-	9,098,831	6.50%
12/31/21	590,232	590,232	-	8,744,178	6.75%
12/31/20	622,031	622,031	-	9,215,274	6.75%
12/31/19	595,371	595,371	-	9,089,634	6.55%
12/31/18	592,109	592,109	-	8,837,448	6.70%
12/31/17	562,396	562,396	-	8,270,529	6.80%
12/31/16	521,123	521,123	-	7,895,803	6.60%
12/31/15	528,068	528,068	-	7,765,706	6.80%

See independent auditors' report and accompanying notes to the required supplementary information

MADISON WATER UTILITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2024

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

Changes of assumptions.

	2015 - 2018	2019 - 2021	2022-2024
Long-term expected rate of return	7.00%	7.00%	6.80%
Discount rate	7.00%	7.00%	6.80%
Salary increases			
Inflation	3.00%	3.00%	3.00%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table	Wisconsin 2020 WRS Experience Morality Table
Post-retirement adjustments	1.90%	1.90%	1.70%

These schedules are presented to illustrate the requirements to show information for 10 years.

MADISON WATER UTILITY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (LAST TEN FISCAL YEARS) *

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Allocation changes	\$ (273,679)	\$ (117,074)	\$ 84,861	\$ (67,393)	\$ (98,467)	\$ (32,216)	
Service Cost	178,857	169,425	234,723	230,069	178,623	162,366	179,318
Interest on Total OPEB Liability	108,448	108,843	73,513	65,889	88,516	105,763	96,586
Changes in benefits terms	-	-	11,644	-	(2,792)	-	-
Difference between expected and actual experience	(21,687)	127,168	(358,458)	(68,576)	(142,947)	(87,124)	(198,756)
Changes in assumptions	(64,084)	175,656	(392,615)	(31,930)	409,586	169,237	(51,468)
Employee Contributions	(140,917)	(121,173)	-	-	-	-	-
Benefit payments, including employee refunds	-	-	(136,022)	(115,485)	(128,683)	(123,342)	(109,523)
Administrative expense	-	-	-	-	-	-	-
Net Change in total OPEB Liability	(213,062)	342,845	(482,354)	12,574	303,836	194,684	(83,843)
Total OPEB Liability - Beginning	2,875,795	2,532,950	3,015,304	3,002,730	2,698,894	2,504,210	2,588,053
Total OPEB Liability - Ending	\$ 2,662,733	\$ 2,875,795	\$ 2,532,950	\$ 3,015,304	\$ 3,002,730	\$ 2,698,894	\$ 2,504,210
 Covered-employee payroll	 \$ 8,378,644	 \$ 8,754,323	 \$ 8,472,381	 \$ 7,953,849	 \$ 7,573,090	 \$ 7,796,356	 \$ 7,505,306
 Total OPEB liability as a percentage of covered-employee payroll	 31.78%	 32.85%	 29.90%	 37.91%	 39.65%	 34.62%	 33.37%

Notes to OPEB Schedule:

Changes in Assumptions

Changes in assumptions:

Discount Rate - The discount rate has been updated from 4.00% to 4.28% in the December 31, 2024 valuation.

Health Care and Subsidy Trend Rates - The discount rate has been updated from 8.00% to 7.50% in the December 31, 2024 valuation.

Inflation - The inflation rate is 2.40%, in the December 31, 2023 valuation.

* Measurement fiscal year 2018 was the first year of GASB 75 implementation, therefore only seven years are presented.

SUPPLEMENTAL INFORMATION

MADISON WATER UTILITY

REVENUE BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES
As of December 31, 2024

Year	2015 Revenue Bonds			2016A Revenue Bonds			2016B Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	1,930,000	865,454	2,795,454	1,025,000	741,775	1,766,775	1,405,000	267,625	1,672,625
2026	2,005,000	787,129	2,792,129	1,080,000	689,150	1,769,150	1,475,000	195,625	1,670,625
2027	2,090,000	725,704	2,815,704	1,135,000	633,775	1,768,775	1,550,000	120,000	1,670,000
2028	2,170,000	663,431	2,833,431	1,190,000	575,650	1,765,650	1,625,000	40,625	1,665,625
2029	2,235,000	598,983	2,833,983	1,250,000	514,650	1,764,650	-	-	-
2030	2,305,000	529,731	2,834,731	1,310,000	457,200	1,767,200	-	-	-
2031	2,380,000	455,924	2,835,924	1,365,000	403,700	1,768,700	-	-	-
2032	2,460,000	379,406	2,839,406	1,420,000	348,000	1,768,000	-	-	-
2033	2,540,000	301,281	2,841,281	1,475,000	290,100	1,765,100	-	-	-
2034	2,625,000	220,578	2,845,578	1,535,000	229,900	1,764,900	-	-	-
2035	2,715,000	135,444	2,850,444	1,595,000	167,300	1,762,300	-	-	-
2036	2,810,000	45,661	2,855,661	1,660,000	102,200	1,762,200	-	-	-
2037	-	-	-	1,725,000	34,500	1,759,500	-	-	-
Totals	\$ 28,265,000	\$ 5,708,726	\$ 33,973,726	\$ 17,765,000	\$ 5,187,900	\$ 22,952,900	\$ 6,055,000	\$ 623,875	\$ 6,678,875
Year	2018A Revenue Bonds			2018B Taxable Revenue Bonds (Operating)			2019A Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	1,260,000	982,600	2,242,600	1,070,000	137,537	1,207,537	3,320,000	892,100	4,212,100
2026	1,310,000	931,200	2,241,200	1,110,000	101,012	1,211,012	3,440,000	723,100	4,163,100
2027	1,360,000	877,800	2,237,800	1,145,000	62,105	1,207,105	3,120,000	559,100	3,679,100
2028	1,415,000	822,300	2,237,300	1,185,000	21,034	1,206,034	3,280,000	399,100	3,679,100
2029	1,470,000	764,600	2,234,600	-	-	-	5,515,000	206,800	5,721,800
2030	1,530,000	704,600	2,234,600	-	-	-	4,045,000	56,050	4,101,050
2031	1,595,000	642,100	2,237,100	-	-	-	780,000	7,800	787,800
2032	1,655,000	577,100	2,232,100	-	-	-	-	-	-
2033	1,720,000	509,600	2,229,600	-	-	-	-	-	-
2034	1,790,000	439,400	2,229,400	-	-	-	-	-	-
2035	1,865,000	368,300	2,233,300	-	-	-	-	-	-
2036	1,935,000	290,300	2,225,300	-	-	-	-	-	-
2037	2,015,000	211,300	2,226,300	-	-	-	-	-	-
2038	2,095,000	129,100	2,224,100	-	-	-	-	-	-
2039	2,180,000	43,600	2,223,600	-	-	-	-	-	-
Totals	\$ 25,195,000	\$ 8,291,900	\$ 33,486,900	\$ 4,510,000	\$ 321,688	\$ 4,831,688	\$ 23,500,000	\$ 2,844,050	\$ 26,344,050
Year	2019B Refunding Bonds			2023 Revenue Bond (SDWL 4837-06)			2024 Revenue Bond (SDWL 4837-12)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	1,040,000	202,370	1,242,370	193,713	94,133	287,846	136,504	70,715	207,219
2026	1,065,000	180,788	1,245,788	197,868	89,934	287,802	139,432	67,756	207,188
2027	1,090,000	157,615	1,247,615	202,112	85,644	287,756	142,423	64,733	207,156
2028	1,120,000	133,025	1,253,025	206,448	81,262	287,710	145,478	61,645	207,123
2029	1,150,000	106,912	1,256,912	210,876	76,786	287,662	148,598	58,491	207,089
2030	1,185,000	78,884	1,263,884	215,399	72,214	287,613	151,786	55,270	207,056
2031	1,220,000	48,813	1,268,813	220,020	67,545	287,565	155,041	51,979	207,020
2032	1,255,000	16,629	1,271,629	224,739	62,774	287,513	158,367	48,618	206,985
2033	-	-	-	229,560	57,902	287,462	161,764	45,184	206,948
2034	-	-	-	234,484	52,925	287,409	165,234	41,677	206,911
2035	-	-	-	239,514	47,842	287,356	168,778	38,095	206,873
2036	-	-	-	244,651	42,649	287,300	172,399	34,436	206,835
2037	-	-	-	249,899	37,345	287,244	176,096	30,698	206,794
2038	-	-	-	255,259	31,927	287,186	179,874	26,880	206,754
2039	-	-	-	260,735	26,393	287,128	183,732	22,981	206,713
2040	-	-	-	266,327	20,740	287,067	187,673	18,997	206,670
2041	-	-	-	272,040	14,966	287,006	191,699	14,929	206,628
2042	-	-	-	277,875	9,069	286,944	195,811	10,773	206,584
2043	-	-	-	283,836	3,044	286,880	200,011	6,527	206,538
2044	-	-	-	-	-	-	204,300	2,191	206,491
Totals	\$ 9,125,000	\$ 925,036	\$ 10,050,036	\$ 4,485,355	\$ 975,094	\$ 5,460,449	\$ 3,365,000	\$ 772,575	\$ 4,137,575
Year	2024 Revenue Bond (SDWL 4837-09)						TOTAL (All Revenue Debt)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	-	18,393	18,393				11,380,217	4,272,702	15,652,919
2026	36,827	17,896	54,723				11,859,127	3,783,590	15,642,717
2027	37,617	17,098	54,715				11,872,152	3,303,574	15,175,726
2028	38,424	16,282	54,706				12,375,350	2,814,354	15,189,704
2029	39,248	15,449	54,697				12,018,722	2,342,671	14,361,393
2030	40,090	14,598	54,688				10,782,275	1,968,547	12,750,822
2031	40,950	13,729	54,679				7,756,011	1,691,590	9,447,601
2032	41,829	12,841	54,670				7,214,935	1,445,368	8,660,303
2033	42,726	11,934	54,660				6,169,050	1,216,001	7,385,051
2034	43,642	11,008	54,650				6,393,360	995,488	7,388,848
2035	44,578	10,062	54,640				6,627,870	765,043	7,392,913
2036	45,535	9,095	54,630				6,867,585	524,341	7,391,926
2037	46,511	8,108	54,619				4,212,506	321,951	4,534,457
2038	47,509	7,100	54,609				2,577,642	195,007	2,772,649
2039	48,528	6,070	54,598				2,672,995	99,044	2,772,039
2040	49,569	5,018	54,587				503,569	44,755	548,324
2041	50,632	3,943	54,575				514,371	33,838	548,209
2042	51,718	2,845	54,563				525,404	22,687	548,091
2043	52,828	1,724	54,552				536,675	11,295	547,970
2044	53,961	578	54,539				258,261	2,769	261,030
Totals	\$ 852,722	\$ 203,771	\$ 1,056,493				\$ 123,118,077	\$ 25,854,615	\$ 148,972,692

MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Unmetered Sales	\$ 332,953	\$ 540,703
Metered Sales		
Residential	23,020,149	24,001,175
Duplex	885,536	916,667
Multi-Family	11,319,276	11,065,432
Commercial	10,768,233	10,836,069
Industrial	1,106,615	1,135,101
Public authority	7,448,552	7,489,586
Sales for resale	574,195	600,320
Total Metered Sales	55,122,556	56,044,350
Public Fire Protection	118,711	123,694
Total Sales of Water	55,574,220	56,708,747
Customer Late Payment Penalties	293,720	286,079
Miscellaneous	64,335	67,921
Rents from water property	392,600	398,532
Other	318,199	335,138
Total Operating Revenues	56,643,074	57,796,417
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Maintenance		
Supervision and engineering	18,612	17,353
Collecting and impounding reservoirs	15,164	9,934
Wells and springs	146,785	33,422
Total Source of Supply	180,561	60,709
Pumping		
Operation supervision and engineering	55,224	52,815
Power purchased for pumping	2,406,454	2,419,199
Pumping labor	544,444	506,042
Miscellaneous	554,155	539,135
Maintenance		
Supervision and engineering	218,352	199,895
Structures and improvements	464,936	550,367
Pumping equipment	624,921	411,644
Total Pumping	4,868,486	4,679,097
Water Treatment		
Operation supervision and engineering	112,127	126,300
Chemicals	195,951	202,965
Operation labor	297,272	262,958
Miscellaneous	151,264	175,637
Maintenance		
Supervision and engineering	18,612	17,353
Water treatment equipment	141,822	150,479
Total Water Treatment	917,048	935,692

MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 343,148	\$ 268,225
Storage facilities	122,331	103,399
Transmission and distribution lines	497,983	429,907
Meter	221,637	188,267
Customer installation	487,901	444,032
Miscellaneous	1,894,870	1,804,114
Maintenance		
Reservoirs	43,395	57,812
Mains	2,093,971	2,134,691
Services	1,043,514	1,261,114
Meters	152,110	119,195
Hydrants	302,598	324,154
Total Transmission and Distribution	<u>7,203,458</u>	<u>7,134,910</u>
Customer Accounts		
Supervision	12,731	12,358
Meter reading	16,187	71,869
Customer records and collection	235,592	396,056
Conservation	192,491	178,556
Total Customer Accounts	<u>457,001</u>	<u>658,839</u>
Administrative and General		
Salaries	1,160,532	1,164,154
Office, building, and supplies	475,789	403,951
Outside services employed	869,657	665,823
Property insurance	50,036	46,516
Injuries and damages	309,167	279,816
Employee pensions and benefits	1,641,649	2,850,292
Miscellaneous	63,996	69,765
Maintenance of general plant	4,809	4,567
Total Administrative and General	<u>4,575,635</u>	<u>5,484,884</u>
Total Operation and Maintenance	18,202,189	18,954,131
Depreciation	6,638,329	10,813,385
Taxes	736,792	654,988
Total Operating Expenses	<u>25,577,310</u>	<u>30,422,504</u>
 OPERATING INCOME	 <u>\$ 31,065,764</u>	 <u>\$ 27,373,913</u>