

# **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, 2021 and 2020

**MADISON WATER UTILITY**  
An Enterprise Fund of the City of Madison, Wisconsin

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As of and for the Years Ended December 31, 2021 and 2020

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## **Independent Auditors' Report**

To the Water Utility Board of  
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, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

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

### **Basis for Opinion**

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

### **Emphasis of Matter**

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audit was conducted for the purpose of forming an opinion 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 27, 2022

***MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)***

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020

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### GENERAL INFORMATION ABOUT MADISON WATER UTILITY

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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 in spite of being surrounded by lakes. The Utility currently has 21 deep wells in service with a total capacity of 64.5 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.

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### 2021 FINANCIAL HIGHLIGHTS

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- > Total operating revenues increased \$3.2 million or 7.1% from 2020 to 2021, and pumpage increased 2.0% for that same period.
- > Income before capital contributions and transfers increased \$3.9 million or 28.8% from the prior year. The increase was due largely to an increase in rates effective July 2, 2020 along with a \$1.1 million decrease in Operating and Maintenance costs.
- > Capital assets increased by \$6.8 million in 2021, which were primarily financed with the issuance of 2019 Bond Anticipation Notes (BANs). BANs in the amount of \$20 million were issued in 2019 to cover capital projects from 2019 through 2022.

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### 2020 FINANCIAL HIGHLIGHTS

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- > Total operating revenues increased \$1.0 million or 2.2% from 2019 to 2020, while pumpage decreased 2.5% for that same period. New rates became effective on July 2, 2020.
- > Income before capital contributions and transfers increased \$1.7 million or 14.2% from the prior year. The increase was due largely to an increase in rates effective July 2, 2020 along with a \$1 million decrease in interest expense as a result of the refunding of bonds in 2019.
- > Capital assets increased by \$9.3 million in 2020, which were primarily financed with the issuance of 2019 Bond Anticipation Notes (BANs). BANs in the amount of \$20 million were issued in 2019 to cover capital projects from 2019 through 2021.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020

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### RATES

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Current rates became effective July 2, 2020. The Utility filed an application to review rates with the Public Service Commission of Wisconsin on November 30, 2021. The utility is currently ranked fourth for residential rates out of seventy-nine utilities classified as AB (over 4,000 customers) in Wisconsin.

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### UTILITY FINANCIAL ANALYSIS

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The Statement of Net Position includes all of 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)**

	2021	2020	2019
Current and Other Assets	\$ 68,719	\$ 65,068	\$ 62,466
Capital Assets	306,174	307,460	306,324
Total Assets	<u>374,893</u>	<u>372,528</u>	<u>368,790</u>
Deferred Outflows of Resources	<u>6,759</u>	<u>5,399</u>	<u>6,617</u>
Current Liabilities	17,532	15,709	12,227
Long-term Debt Outstanding	185,230	196,755	206,260
Long-term Liabilities	<u>16,444</u>	<u>17,828</u>	<u>21,115</u>
Total Liabilities	<u>219,206</u>	<u>230,292</u>	<u>239,602</u>
Deferred Inflows of Resources	<u>7,862</u>	<u>5,651</u>	<u>3,254</u>
Net Investment in Capital Assets	127,492	123,527	122,468
Restricted	19,900	16,084	11,827
Unrestricted	<u>7,192</u>	<u>2,373</u>	<u>(1,744)</u>
Total Net Position	<u>\$ 154,584</u>	<u>\$ 141,984</u>	<u>\$ 132,551</u>



## MADISON WATER UTILITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021 and 2020

#### UTILITY FINANCIAL ANALYSIS (cont.)

In 2021, total assets combined with deferred outflows of resources increased \$3.7 million and total liabilities with deferred inflows of resources decreased \$8.9 million, resulting in an increase in net position of \$12.6 million from 2020. The change was primarily due to an increase of \$2.7 million in restricted and non-restricted cash, a \$1.3 million decrease in net capital assets, an increase of \$2.9 million in net pension assets and deferred outflows of resources, a decrease of \$10.5 million of revenue bonds outstanding, and an increase of \$2.2 million of deferred inflows. In 2020, total assets combined with deferred outflows of resources increased \$2.5 million and total liabilities with deferred inflows of resources decreased \$6.9 million, resulting in an increase in net position of \$9.4 million from 2019. The change was primarily due to an increase of \$1.4 million in total cash and other assets, a \$1.1 million increase in net capital assets, a decrease in long-term debt and related activity of \$7.8 million, and an increase in compensated absences and other current liabilities of \$900,000.

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

	2021	2020	2019
Operating Revenues	\$ 47,149	\$ 44,042	\$ 42,776
Non-operating Revenues	963	888	1,169
Total Revenues	48,112	44,930	43,945
Operation & Maintenance Expense	15,927	16,979	17,285
Depreciation Expense	8,378	8,203	8,102
Non-operating Expense	6,224	6,093	6,602
Total Expense	30,529	31,275	31,989
Income Before Capital Contributions and Transfers	17,583	13,655	11,956
Capital Contributions	2,441	2,873	3,600
Transfers, net	(7,424)	(7,095)	(6,961)
Change in Net Position	12,600	9,433	8,595
Beginning Net Position	141,984	132,551	123,956
Ending Net Position	\$ 154,584	\$ 141,984	\$ 132,551

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020

### UTILITY FINANCIAL ANALYSIS (cont.)

The Utility's total revenues increased \$3.2 million or 7.1% from 2020 to 2021 as a result of a July 2, 2020 rate increase and an increase of 2.0% in pumpage from 2020 to 2021. The Utility's total revenues increased \$1 million or 2.2% from 2019 to 2020 as a result of a rate increase that became effective July 2, 2020. Total pumpage decreased 2.5% from 2019 to 2020.

**Table 3**  
**Operating Revenues and Expenses**  
**(000's)**

	2021	2020	2019
<b>OPERATING REVENUES</b>			
Unmetered Sales	\$ 374	\$ 367	\$ 386
Metered Sales			
Residential	21,555	20,007	17,686
Duplex	804	765	703
Multi-Family	9,126	8,639	8,107
Commercial	8,277	7,560	8,659
Industrial	1,071	920	843
Public authorities	5,357	5,286	5,971
Sales for resale	454	360	281
Total Metered Sales	46,644	43,537	42,250
Public fire protection	131	138	140
Total Sales of Water	47,149	44,042	42,776
Customer Late Payment Penalties	207	132	209
Miscellaneous	74	72	87
Rents from Water Property	297	289	276
Other	385	395	597
Total Operating Revenues	48,112	44,930	43,945
<b>OPERATING EXPENSES</b>			
Source of Supply	104	59	60
Pumping	3,951	3,975	3,746
Water Treatment	719	679	726
Transmission and Distribution	6,232	6,649	6,532
Customer Accounts	761	757	791
Administrative and General	3,569	4,266	4,847
Total Operation and Maintenance	15,336	16,385	16,702
Depreciation	8,378	8,203	8,102
Taxes	591	595	583
Total Operating Expenses	24,305	25,183	25,387
<b>OPERATING INCOME</b>	<b>\$ 23,807</b>	<b>\$ 19,747</b>	<b>\$ 18,558</b>

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020

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### UTILITY FINANCIAL ANALYSIS (cont.)

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#### ***Revenues***

Total operating revenues for 2021 were \$48.1 million compared to \$44.9 million in 2020. New rates became effective July 2, 2020. Pumpage increased by 2.0% in 2021 over 2020. All classes experienced an increase in revenue in 2021.

Total operating revenues for 2020 were similar to those of 2019, \$44.9 million and \$43.9 million, respectively. New rates became effective July 2, 2020, while pumpage decreased by 2.5% for the year. Covid19 caused a change in the consumption between classes. Residential, multi-family, duplex and industrial increased while commercial and public authority decreased.

#### ***Expenses***

Operation and maintenance expenses (including taxes) totaled \$15.9 million in 2021, compared to \$17.0 million in 2020, a decrease of \$1.0 million, or 6.2%. The decrease is primarily due to a decrease in conservation expenses, and a decrease in employee pensions and benefits expenses related to GASB 68. Depreciation expense increased \$175,000 or 2.1% to \$8.4 million in 2021 from \$8.2 million in 2020 as a result of an additional \$6.8 million in capital assets placed into service.

Operation and maintenance expenses totaled \$17.0 million in 2020, compared to \$17.3 million in 2019, a decrease of \$300,000 or 1.8%. The decrease is primarily due to a decrease in maintenance of hydrants and water treatment equipment, a decrease in conservation expenses due to COVID-19, a decrease in employee pensions and benefits expenses related to GASB 68, and savings in electricity costs associated with the installation of variable frequency drives at pumping stations. Depreciation expense increased \$101,000 or 1.3% to \$8.2 million in 2020 from \$8.1 million in 2019 as a result of an additional \$9.3 million in capital assets placed into service.

# MADISON WATER UTILITY

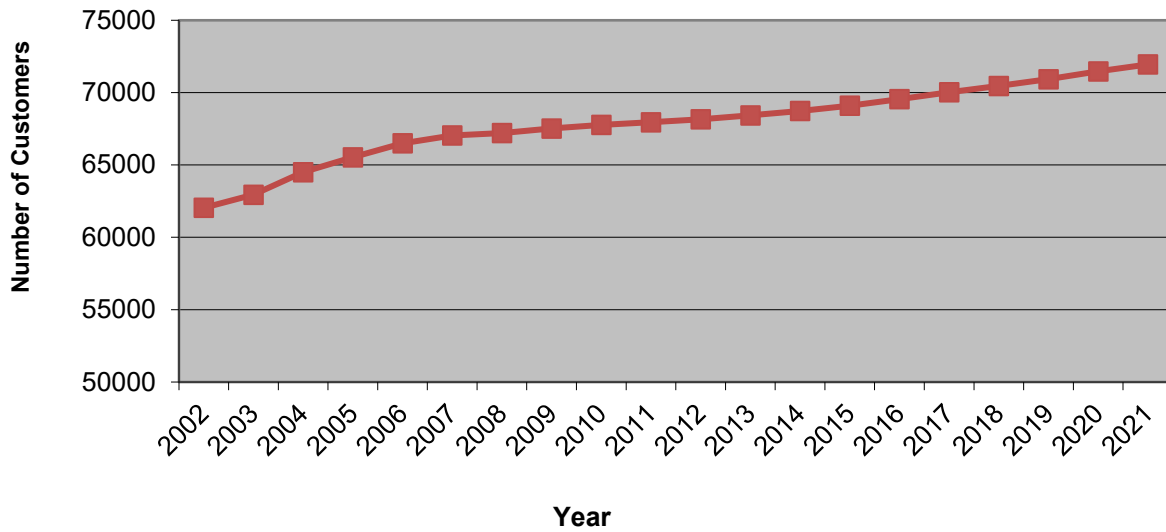
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2021 and 2020

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## UTILITY FINANCIAL ANALYSIS (cont.)

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### Customer Growth 2002 - 2021



The Utility added 496 new customers in 2021, compared with 627, 606, and 502 new customers added in 2020, 2019 and 2018, respectively. The Utility added the most new customers (1,442) in 2002.

# MADISON WATER UTILITY

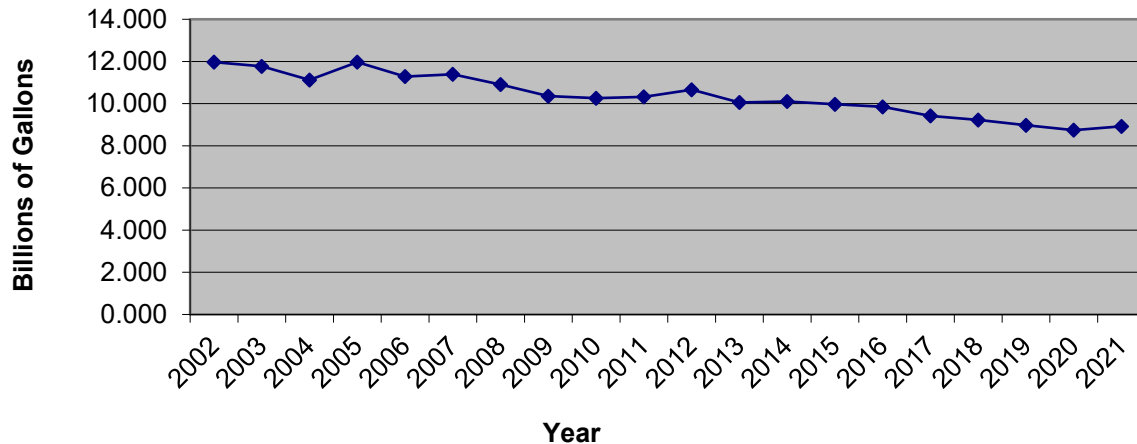
## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020

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### UTILITY FINANCIAL ANALYSIS (cont.)

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#### Pumpage 2002 - 2021



Pumping for the year increased 2.0% from 8.746 billion gallons in 2020 to 8.921 billion gallons in 2021.

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### CAPITAL EXPENDITURES

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The Utility added \$9.1 million of plant in 2021. Of this amount, approximately \$3.0 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2021 included; \$4.3 million for new and replacement water mains, laterals, and hydrants, \$986,000 for pumping plant and telemetry equipment: motor control center (MCC) SCADA upgrades, programmable logic controllers (PLC), transformers, and variable frequency drives (VFDs), \$296,000 for transportation and power equipment, and \$291,000 for our meter program.

The Utility added \$10.7 million of plant in 2020. Of this amount, approximately \$2.9 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2020 included; \$7 million for new and replacement water mains, laterals, and hydrants, \$256,000 for pumping plant and telemetry equipment: motor control center (MCC) SCADA upgrades, programmable logic controllers (PLC), transformers, and variable frequency drives (VFDs), \$368,000 for transportation and power equipment, and \$362,000 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, 2021 and 2020

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### **CAPITAL BORROWING**

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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. The Utility borrowed \$66.7 million in 2019, \$40.2 million in 2018, \$38.4 million in 2016, \$41.6 million in 2015, \$24.3 million in 2013, and \$21.1 million in 2012. 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 equity ratio. With that in mind, the Utility has included accelerated depreciation in its recent rate case filed with the PSC on December 8, 2021. Accelerated 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.

On November 1, 2021, the Utility filed an Intent to Apply with the Wisconsin Department of Natural Resources for the state fiscal year 2023 Safe Drinking Water Loan Program (SDWLP) for \$5.05 million of main replacement projects. This program offers low interest loans to municipalities for qualifying drinking water infrastructure projects. The current interest rate on a 20-year loan with the SDWLP is 1.65%.

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### **ECONOMIC FACTORS AND FUTURE BUDGET ISSUES**

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Madison has a unique status in terms of economic stability, being the state capital and home to the University of Wisconsin – Madison and its 43,000 students, versus the national economy. While customer growth has slowed, the Utility added a net 19.4 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 experienced a significant decline in consumption starting in 2015 due to loss of industry, water conservation and changes in weather patterns. In 2021, consumption was up 2% over 2020. Management will continue to monitor these trends and revise financial goals accordingly.

In the spring of 2020, due to the COVID-19 pandemic, the Utility closed all buildings to the public and customer payments were shifted to non-contact methods (online, telephone, mail, etc.). Beginning in July 2021, all buildings were opened back up to the public and in person payments were accepted again. The Utility is transitioning from remote working back to in office. Consumption patterns have changed for most classes due to the overall increase in remote working.

# **MADISON WATER UTILITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020**

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### **UTILITY CONTACT INFORMATION**

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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 Kathy Schwenn, Finance Manager, Madison Water Utility, 119 East Olin Avenue, Madison, Wisconsin 53713 or by phone at (608) 266-4645 or e-mail at [kschwenn@madisonwater.org](mailto:kschwenn@madisonwater.org).

**FINANCIAL STATEMENTS**



## MADISON WATER UTILITY

### STATEMENTS OF NET POSITION As of December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 15,133,156	\$ 10,243,738
Restricted Assets		
Principal and interest account	14,917,677	13,089,287
Customer accounts receivable	2,708,793	2,788,394
Prepays	217,413	208,123
Materials and supplies	978,475	846,136
Due from municipality	1,043,988	1,078,086
Current portion of special assessments	66,095	370,869
Other current assets, net	308,923	340,405
Total Current Assets	35,374,520	28,965,038
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	15,738,047	16,010,922
Depreciation account	750,000	750,000
Assessment account	1,351,770	1,053,038
Construction account	8,343,939	12,360,866
Net pension asset	3,317,731	1,803,263
Other Assets		
Special assessments receivable	2,282,480	2,908,767
Preliminary survey and investigation	477,248	426,815
Property held for future use	112,429	112,087
Nonutility property (net of accumulated depreciation)	971,196	677,614
Capital Assets		
Plant in service	418,217,660	411,433,825
Accumulated depreciation	(112,280,351)	(104,691,447)
Construction work in progress	236,689	717,262
Total Noncurrent Assets	339,518,838	343,563,013
Total Assets	374,893,358	372,528,051
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on refunding	577,128	655,248
Deferred outflows related to pension	5,781,876	4,262,656
Deferred outflows related to OPEB	399,922	480,685
Total Deferred Outflows of Resources	6,758,926	5,398,589

See notes to financial statements

	2021	2020
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,059,030	\$ 966,062
Other current liabilities	1,363,242	1,460,083
Current portion of advance from municipality	142,101	137,216
Current Liabilities Payable From Restricted Assets		
Current portion of revenue bonds	11,525,000	9,505,000
Accrued interest	3,443,057	3,640,583
Total Current Liabilities	<u>17,532,430</u>	<u>15,708,944</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	185,230,000	196,755,000
Unamortized debt premium	11,041,320	12,074,794
Accrued sick leave	1,941,933	2,227,446
Total OPEB liability	3,015,304	3,002,730
Advance from municipality	314,671	456,772
Customer advances for construction	130,508	66,260
Total Noncurrent Liabilities	<u>201,673,736</u>	<u>214,583,002</u>
Total Liabilities	<u>219,206,166</u>	<u>230,291,946</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized gain on refunding	68,485	76,094
Deferred inflows related to OPEB's	360,354	336,775
Deferred inflows related to pension	7,433,203	5,237,746
Total Deferred Inflows of Resources	<u>7,862,042</u>	<u>5,650,615</u>
<b>NET POSITION</b>		
Net investment in capital assets	127,492,429	123,527,379
Restricted for:		
Debt service	14,480,498	12,477,114
Capital repairs and replacement	2,101,770	1,803,038
Pension	3,317,731	1,803,263
Unrestricted	<u>7,191,648</u>	<u>2,373,285</u>
<b>TOTAL NET POSITION</b>	<u>\$ 154,584,076</u>	<u>\$ 141,984,079</u>

See notes to financial statements

## MADISON WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>OPERATING REVENUES</b>		
Sales of water	\$ 47,149,392	\$ 44,042,061
Other	962,501	887,808
Total Operating Revenues	48,111,893	44,929,869
<b>OPERATING EXPENSES</b>		
Operation and maintenance	15,927,457	16,979,252
Depreciation	8,377,801	8,203,231
Total Operating Expenses	24,305,258	25,182,483
Operating Income	23,806,635	19,747,386
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Merchandising and jobbing	(55,011)	(30,467)
Bond issuance costs	-	-
Investment income	(31,617)	510,333
Interest and amortization expense	(6,118,714)	(6,601,637)
Gain on sale of property	-	-
Other	(18,180)	28,756
Total Nonoperating Revenues (Expenses)	(6,223,522)	(6,093,015)
Income Before Capital Contributions and Transfers	17,583,113	13,654,371
<b>CAPITAL CONTRIBUTIONS</b>	2,440,456	2,873,873
<b>TRANSFERS IN / (OUT)</b>	189,337	222,544
<b>TRANSFERS - TAX EQUIVALENT</b>	(7,625,394)	(7,328,178)
<b>CAPITALIZED TAX EQUIVALENT</b>	12,485	10,605
<b>Change in Net Position</b>	12,599,997	9,433,215
NET POSITION - Beginning of Year	141,984,079	132,550,864
<b>NET POSITION - END OF YEAR</b>	\$ 154,584,076	\$ 141,984,079

See notes to financial statements

## MADISON WATER UTILITY

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 48,757,138	\$ 45,429,812
Paid to suppliers for goods and services	(9,520,247)	(7,944,859)
Paid to employees for services	(7,142,523)	(8,071,126)
Net Cash Flows from Operating Activities	32,094,368	29,413,827
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers - paid to municipality for tax equivalent	(7,612,909)	(7,317,573)
Loan from municipality receipts (payments) - operating portion	-	-
Principal paid on operating loan	(950,000)	(910,000)
Interest paid on operating loan	(264,117)	(292,017)
Repayment of advances from other funds	(137,216)	(584,220)
Interest paid on advances and loans from other funds	(1,700)	(30,448)
Transfers from (to) other funds	189,337	222,544
Net Cash Flows from Noncapital Financing Activities	(8,776,605)	(8,911,714)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,445,053)	(7,366,934)
Special assessments received	345,940	147,334
Contributions in aid of construction (advances refunded)	99,685	(15,357)
Debt retired	(8,555,000)	(6,545,000)
Interest paid	(7,013,388)	(6,518,073)
Net Cash Flows from Capital and Related Financing Activities	(20,567,816)	(20,298,030)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Marketable securities purchased	(7,120,991)	(28,349,860)
Marketable securities sold	7,353,763	22,490,178
Investment income	(23,209)	521,738
Net Cash Flows from Investing Activities	209,563	(5,337,944)
<b>Net Change in Cash and Cash Equivalents</b>	2,959,510	(5,133,861)
CASH AND CASH EQUIVALENTS – Beginning of Year	39,151,464	44,285,325
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 42,110,974	\$ 39,151,464

See notes to financial statements

	2021	2020
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 23,806,635	\$ 19,747,386
Nonoperating income	(73,191)	(1,711)
Noncash items included in operating income		
Depreciation	8,377,801	8,203,231
Depreciation charged to other accounts	1,075,308	1,056,349
Changes in Assets and Liabilities		
Customer accounts receivable	79,601	(127,576)
Receivable from other funds	34,097	33,603
Materials and supplies	(132,339)	(84,788)
Other current assets	13,784	(51,252)
Accounts payable and other current liabilities	(80,500)	492,920
Payable to other funds	-	-
Other postemployment benefit deferrals and liabilities	116,916	46,523
Pension related deferrals and liabilities	(838,231)	(16,524)
Accrued compensated absences	(285,513)	115,667
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 32,094,368</b>	<b>\$ 29,413,827</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
<b>TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 15,133,156	\$ 10,243,738
Redemption account	14,917,677	13,089,287
Reserve account	15,738,047	16,010,922
Depreciation account	750,000	750,000
Assessment account	1,351,770	1,053,038
Construction account	8,343,939	12,360,866
Total Cash and Investments	56,234,589	53,507,851
Less: Noncash equivalents	(14,123,615)	(14,356,387)
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 42,110,974</b>	<b>\$ 39,151,464</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING</b>		
<b>ACTIVITIES</b>		
Municipality, customer and developer financed additions to utility plant	\$ 2,405,019	\$ 2,836,248
Capital additions assessed to customers	\$ 468,725	\$ 91,308
Adjustments to special assessments	\$ (1,053,847)	\$ (185,539)

See notes to financial statements

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 Madison and 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.

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.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

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#### ***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, 2021 and 2020

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### 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 2021 and 2020.

##### ***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, 2021 and 2020

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### 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

##### ***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 and payroll taxes and other benefits payable.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

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#### ***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.

Employees received 80 hours of emergency paid leave in 2020 to be used for Covid-19 related time off. An unused balance was allowed to be carried over into the next year to be used by May 31, 2021. All unused time was shown as a liability as of December 31, 2020. There was no emergency paid leave accrual for 2021.

##### ***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 effective interest 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.

##### ***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.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

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#### **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.

Current rates were authorized by the PSCW in an order dated June 22, 2020 and are designed to earn a 4.9% return on rate base.

#### **Capital Contributions**

Cash and capital assets are contributed to the utilities from customers, the municipality, or external parties. The value of property contributed to the utilities 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 approved GASB Statement No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligation*, Statement No. 92, *Omnibus*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. When they become effective, application of these standards 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.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

### NOTE 2 – DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Associated Risks
	2021	2020	
Other Investment Pool	\$ 38,918,115	\$ 36,061,909	(A)
Money Market Mutual Funds	3,171,759	2,067,505	Custodial credit, interest rate
U.S. Agencies – implicitly guaranteed	13,767,060	15,001,780	Custodial credit, credit, concentration and interest rate risks
State and Local Bonds	356,555	355,737	Custodial credit, credit, concentration and interest rate risks
Working Funds – Petty Cash	21,100	20,920	None
Totals	\$ 56,234,589	\$ 53,507,851	

(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.

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 \$400,000.

\$500,000 of the utilities' investments 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, 2021 and 2020, the utility had investments in US Agency and State and Local Bond Securities of \$14,123,615 and \$15,357,517, 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

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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### NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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#### *FAIR VALUE* (cont.)

In addition to US Agency, 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.

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:

	2021		2020	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
US Bank	<u>\$ 3,171,759</u>	<u>\$ 3,171,759</u>	<u>\$ 2,067,505</u>	<u>\$ 2,067,505</u>

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 \$14,123,615 and \$15,357,517 of U.S. Agencies and State and Local Bond securities which were exposed to custodial credit risk as of December 31, 2021 and 2020, respectively, because the investments were neither insured nor registered and are held by counterparty.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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### **NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)**

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#### ***CUSTODIAL CREDIT RISK (cont.)***

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

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.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2021 and 2020, 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 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, 2021, the utility had 17% of its portfolio in Federal Farm Credit Bank system securities, 10% of its portfolio in Federal Home Loan Bank system securities and 7% of its portfolio in Federal National Mortgage Association ("Fannie Mae") system securities. As of December 31, 2020, the utility had 21% of its portfolio in Federal Farm Credit Bank system securities, 7% of its portfolio in Federal Home Loan Mortgage Corporation system securities and 5% 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.

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

#### **NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund balances as of December 31, 2021 and 2020:

Due To	Due From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
Water	Municipality	\$ 1,043,989	Delinquent water bills and special assessments on tax roll	\$ 1,078,086	Delinquent water bills and special assessments on tax roll

The following is a schedule of transfer balances as of December 31, 2021 and 2020:

To	From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality Water	Water Sewer	\$ 7,625,394 189,337	Tax equivalent Operating expenses	\$ 7,328,178 222,544	Tax equivalent Operating expenses

#### **NOTE 4 – RESTRICTED ASSETS**

##### ***RESTRICTED ACCOUNTS***

Certain proceeds of the utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants. 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.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

### NOTE 4 – RESTRICTED ASSETS (cont.)

#### *RESTRICTED ACCOUNTS* (cont.)

- 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.
  
- Pension – Used to report value of future benefits owed to employees for retirement benefits

The following calculation supports the amount of restricted net position:

	December 31,	
	2021	2020
Restricted Assets		
Current restricted assets		
Principal and interest	\$ 14,917,677	\$ 13,089,287
Noncurrent Restricted Assets		
Reserve – See Note (A)	15,738,047	16,010,922
Construction	8,343,939	12,360,866
Assessment fund	1,351,770	1,053,038
Depreciation	750,000	750,000
Net pension asset	3,317,731	1,803,263
Total Noncurrent Restricted Assets	29,501,487	31,978,089
Total Restricted Assets	44,419,164	45,067,376
Less: Restricted Assets not Funded by Revenues		
Reserve – See Note (A)	(12,732,169)	(12,982,512)
Construction	(8,343,939)	(12,360,866)
Current Liabilities Payable from Restricted Assets	(3,443,057)	(3,640,583)
Total Restricted Net Position	\$ 19,899,999	\$ 16,083,415
The purpose of the restricted net position is as follows:		
Debt service	\$ 14,480,498	\$ 12,477,114
Capital repairs and replacement	2,101,770	1,803,038
Pension	3,317,731	1,803,263
Total	\$ 19,899,999	\$ 16,083,415

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, 2021 and 2020

### **NOTE 5 – CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for 2021 follows:

	1/1/21 Balance	Increases	Decreases	12/31/21 Balance
Capital assets, not being depreciated				
Land and land rights	\$ 3,121,529	\$ 15,860	\$ 18,127	\$ 3,119,262
Capital assets being depreciated				
Source of supply	13,175,427	140,094	23,816	13,291,705
Pumping	24,948,752	715,432	472,738	25,191,446
Water treatment	5,814,958	155,107	185,257	5,784,808
Transmission and distribution	324,303,824	7,458,102	927,680	330,834,246
General	40,069,335	720,995	794,137	39,996,193
Total Capital Assets				
Being Depreciated	408,312,296	9,189,730	2,403,628	415,098,398
Total Capital Assets	411,433,825	9,205,590	2,421,755	418,217,660
Less: Accumulated Depreciation				
Source of supply	(6,628,528)	(310,199)	41,226	(6,897,501)
Pumping	(10,588,187)	(939,908)	512,263	(11,015,832)
Water treatment	(1,421,016)	(297,538)	117,151	(1,601,403)
Transmission and distribution	(71,213,197)	(6,289,099)	588,441	(76,913,855)
General	(14,840,519)	(1,748,649)	737,407	(15,851,760)
Total Accumulated Depreciation	(104,691,447)	(9,585,393)	1,996,489	(112,280,351)
Construction in progress	717,262	5,696,603	6,177,176	236,689
Net Capital Assets	\$ 307,459,640			\$ 306,173,998

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

#### **NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)**

A summary of changes in capital assets for 2020 follows:

	1/1/20 Balance	Increases	Decreases	12/31/20 Balance
Capital assets, not being depreciated				
Land and land rights	\$ 3,121,338	\$ 3,983	\$ 3,792	\$ 3,121,529
Capital assets being depreciated				
Source of supply	13,193,872	7,346	25,791	13,175,427
Pumping	24,785,986	215,106	52,340	24,948,752
Water treatment	5,814,958	-	-	5,814,958
Transmission and distribution	309,597,144	15,417,595	710,915	324,303,824
General	39,847,451	646,533	424,649	40,069,335
Completed construction not classified	5,803,286	-	5,803,286	-
Total Capital Assets Being Depreciated	399,042,697	16,286,580	7,016,980	408,312,296
Total Capital Assets	402,164,035	16,290,563	7,020,773	411,433,825
Less: Accumulated Depreciation				
Source of supply	(6,345,693)	(308,626)	25,791	(6,628,528)
Pumping	(9,713,863)	(930,144)	55,820	(10,588,187)
Water treatment	(1,209,576)	(211,440)	-	(1,421,016)
Transmission and distribution	(65,618,836)	(6,157,280)	562,919	(71,213,197)
General	(13,521,576)	(1,750,867)	431,924	(14,840,519)
Completed construction not classified	(41,465)	-	41,465	-
Total Accumulated Depreciation	(96,451,009)	(9,358,357)	1,117,919	(104,691,447)
Construction in progress	611,048	8,400,845	8,294,631	717,262
Net Capital Assets	\$ 306,324,074			\$ 307,459,640

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

### NOTE 6 – LONG-TERM OBLIGATIONS

#### REVENUE BONDS

Date	Purpose	Final Maturity	Interest Rates	Original Amount	12/31/2021 Amount Outstanding
12/19/12	System improvements	1/1/33	2.00 - 4.00%	\$ 21,095,000	\$ 13,870,000
12/18/13	System improvements	1/1/34	3.00 - 5.00%	24,335,000	17,610,000
12/17/15	System improvements	1/1/36	2.85 - 5.00%	41,610,000	33,640,000
12/28/16	Refunding debt and system improvements	1/1/37	1.24 - 3.82%	38,420,000	30,440,000
12/20/18	Series A – System Improvements	1/1/39	4.00%	30,765,000	28,690,000
12/20/18	Series B - Operations	1/1/28	3.00 - 3.55%	9,390,000	7,530,000
12/19/19	Series A - Refunding 2009A and 2010 bonds	1/1/31	2.00 - 5.00%	33,680,000	32,870,000
12/19/19	Series B – Refunding 2011 bonds	1/1/32	1.70 - 2.65%	13,055,000	12,105,000
12/19/19	Bond anticipation notes – system improvements	11/1/24	1.50%	20,000,000	20,000,000
Totals				<u>\$ 232,350,000</u>	<u>\$ 196,755,000</u>

Revenue bond debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2022	11,525,000	6,833,129	18,358,129
2023	12,705,000	6,299,067	19,004,067
2024	33,025,000	5,778,873	38,803,873
2025	13,305,000	4,950,161	18,255,161
2026	13,820,000	4,382,379	18,202,379
2027 - 2031	65,760,000	13,920,561	79,680,561
2032 - 2036	38,600,000	4,797,524	43,397,524
2037 - 2039	8,015,000	418,500	8,433,500
Totals	<u>\$ 196,755,000</u>	<u>\$ 47,380,194</u>	<u>\$ 244,135,194</u>

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

#### **REVENUE BONDS** (cont.)

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 2021 and 2020 were \$16,782,505 and \$14,265,091, respectively. Total customer net revenues as defined for 2021 and 2020 were \$32,152,822 and \$28,460,950, respectively. Annual principal and interest payments are expected to require 42% of net revenues.

#### **REVENUE BOND ANTICIPATION NOTES (BANS)**

Included in long-term debt is \$20,000,000 of revenue bond anticipation notes maturing November 1, 2024. The proceeds from the BANS provide funding for certain capital and system improvements for fiscal years 2019 through 2023. The Notes bear interest payable on May 1 and November 1 of each year, commencing May 1, 2020 with the full principal payment due on November 1, 2024 if not refinanced at an earlier date. The BANS are subordinate debt to all outstanding senior revenue debt and include similar bond covenants to the senior bonds. The utility anticipates repaying a portion of the BANS from reserves and refinancing the remaining BANS with permanent financing over the course of the five-year life of the debt with the earliest available redemption date of November 1, 2020. Permanent financing will depend on the availability of funds within eligible State of Wisconsin Revolving Loan programs or traditional revenue bond financings.

#### **ADVANCE FROM MUNICIPALITY**

Date	Purpose	Final Maturity	Interest Rate	Original Amount	12/31/21 Amount Outstanding
10/3/10	Payoff unfunded pension liability	10/1/24	0.34%	\$ 1,404,052	\$ 456,772

Advance debt service requirements to maturity follows:

Year	Principal	Interest	Total
2022	\$ 142,101	\$ 1,522	\$ 143,623
2023	153,138	1,188	154,326
2024	161,533	760	162,293
Totals	<u>\$ 456,772</u>	<u>\$ 3,470</u>	<u>\$ 460,242</u>

The city refinanced the 2010 general obligation bonds in 2020. This resulted in an interest savings of \$54,784 for the utility.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

#### *LONG-TERM OBLIGATIONS SUMMARY*

Long-term obligation activity for the year ended December 31, 2021, is as follows:

	1/1/21 Balance	Additions	Reductions	12/31/21 Balance	Due Within One Year
Revenue bonds	\$ 206,260,000	\$ -	\$ 9,505,000	\$ 196,755,000	\$ 11,525,000
Accrued sick leave	2,227,446	289,365	574,878	1,941,933	-
Other postemployment benefit obligation	3,002,730	12,574	-	3,015,304	-
Customer advances for construction	66,260	557,253	493,005	130,508	-
Advance from municipality	593,988	-	137,216	456,772	142,101
Unamortized debt premium	12,074,794	-	1,033,474	11,041,320	-
<b>Totals</b>	<b>\$ 224,225,218</b>	<b>\$ 859,192</b>	<b>\$ 11,743,573</b>	<b>\$ 213,340,837</b>	<b>\$ 11,667,101</b>

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

	1/1/20 Balance	Additions	Reductions	12/31/20 Balance	Due Within One Year
Revenue bonds	\$ 213,715,000	\$ -	\$ 7,455,000	\$ 206,260,000	\$ 9,505,000
Accrued sick leave	2,111,779	385,043	269,376	2,227,446	-
Net pension liability (asset)	2,015,781	-	3,819,044	(1,803,263)	-
Other postemployment benefit obligation	2,698,894	303,836	-	3,002,730	-
Customer advances for construction	119,242	335,306	388,288	66,260	-
Advance from municipality	1,178,208	-	584,220	593,988	137,216
Unamortized debt premium	13,108,268	-	1,033,474	12,074,794	-
<b>Totals</b>	<b>\$ 234,947,172</b>	<b>\$ 1,024,185</b>	<b>\$ 13,549,402</b>	<b>\$ 222,421,955</b>	<b>\$ 9,642,216</b>

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

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#### *PRIOR YEAR DEFEASANCE OF DEBT*

On December 19, 2019, the utility defeased \$26,555,000 of the 2009A bonds and \$7,125,000 of the 2010 bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the utility's financial statements. The old bonds were called on January 23, 2020.

On December 19, 2019, bonds in the amount of \$13,055,000 were issued with an average interest rate of 2.32% to advance refund \$13,910,000 of outstanding Series 2011 bonds with an average interest rate of 3.52%. The net proceeds were used to purchase U.S. government securities and pay issuance costs of the transaction. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, that portion of the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position. The old bonds were called on January 4, 2021.

#### *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 2021 and 2020.

#### *NUMBER OF CUSTOMERS*

At December 31, 2021 and 2020, the utility served the following number of customers:

	<u>2021</u>	<u>2020</u>
Residential	58,109	58,293
Multifamily	4,754	4,302
Duplex	2,119	2,025
Commercial	5,075	5,080
Industrial	73	71
Public Authority	<u>673</u>	<u>676</u>
Totals	<u>70,803</u>	<u>70,447</u>

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

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### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

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#### *WATER PUMPED AND BILLED*

During the years ended December 31, 2021 and 2020, the following amounts of water were pumped and billed:

	(000 gallons)	
	<u>2021</u>	<u>2020</u>
Water pumped	<u>8,921,090</u>	<u>8,746,372</u>
Water billed	<u>7,811,815</u>	<u>7,631,604</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.

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### NOTE 7 – NET POSITION

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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, 2021 and 2020

#### NOTE 7 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

	December 31,	
	2021	2020
Plant in Service	\$ 418,217,660	\$ 411,433,825
Accumulated Depreciation	(112,280,351)	(104,691,447)
Construction Work in Progress	236,689	717,262
Subtotals	306,173,998	307,459,640
 Less: Capital Related Debt		
Current portion of capital related long-term debt – See Note (A)	10,550,000	8,555,000
Long-term portion of capital related long-term debt – See Note (A)	178,675,000	189,225,000
Unamortized debt premium	11,041,320	12,074,794
Unamortized gain on advance refunding	68,485	76,094
Unamortized loss on advance refunding	(577,128)	(655,249)
Subtotals	199,757,677	209,275,639
 Add: Borrowed Funds on Hand		
Reserve fund	12,732,169	12,982,512
Construction fund	8,343,939	12,360,866
Subtotals	21,076,108	25,343,378
Total Net Investment in Capital Assets	\$ 127,492,429	\$ 123,527,379

*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.

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>.



# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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### NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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#### **General Information About the Pension Plan** (cont.)

**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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2011	(1.2)	11
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

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

### **NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)**

#### **General Information About the Pension Plan (cont.)**

**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 \$590,232 and \$622,031 in contributions from the utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2021 and December 31, 2020 are:

	2021		2020	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.75%	6.75%	6.55%	6.55%
Protective with Social Security	6.75%	11.75%	6.55%	10.55%
Protective without Social Security	6.75%	16.35%	6.55%	14.95%

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

At December 31, 2021, the utility reported a liability (asset) of (\$3,317,731) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020. 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, 2020, the municipality's proportion was 1.8099%, which was an increase of 0.02477% from its proportion measured as of December 31, 2019.

At December 31, 2020, the utility reported a liability (asset) of (\$1,803,263) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2019, the municipality's proportion was 1.7851%, which was an increase of 0.03787% from its proportion measured as of December 31, 2018.

For the years ended December 31, 2021, and 2020, the utility recognized pension expense of (\$838,231) and (\$16,524), respectively.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

### **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, 2021, 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	\$ 5,047,891	\$ (1,336,757)
Changes in assumptions	128,874	-
Net differences between projected and actual earnings on pension plan investments	-	(6,084,380)
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,879	(12,066)
Employer contributions subsequent to the measurement date	590,232	-
Totals	\$ 5,781,876	\$ (7,433,203)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,452,813	\$ (1,907,200)
Changes in assumptions	185,264	-
Net differences between projected and actual earnings on pension plan investments	-	(3,309,159)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,548	(21,387)
Employer contributions subsequent to the measurement date	622,031	-
Totals	\$ 4,262,656	\$ (5,237,746)

## MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2021 and 2020

### NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

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:

2021	
Year Ended December 31	Water Utility
2022	\$ (578,972)
2023	(156,169)
2024	(1,058,778)
2025	(447,640)
2026	-
Total	\$ (2,241,559)

***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:

	2021	2020
Actuarial valuation date	December 31, 2019	December 31, 2018
Measurement date of net Pension liability (Asset)	December 31, 2020	December 31, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair value	Fair value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%	1.9%

*\* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. The percentages listed above are the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

### NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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

Actuarial assumptions used in the December 31, 2019 actuarial valuation is based upon an experience study conducted in 2020 using experience from 2017– 2019. There were no changes in the actuarial assumptions used to measure the total pension liability (asset) from prior year. The total pension liability (asset) for December 31, 2020 is based upon a roll-forward of the liability (asset) calculated from the December 31, 2019 actuarial valuation.

Actuarial assumptions used in the December 31, 2018 actuarial valuation is based upon an experience study conducted in 2019 using experience from 2016– 2018. There were no changes in the actuarial assumptions used to measure the total pension liability (asset) from prior year. The total pension liability (asset) for December 31, 2019 is based upon a roll-forward of the liability (asset) calculated from the December 31, 2018 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, 2021 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	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2	0.8
Inflation Sensitive Assets	16.0	2.0	(0.4)
Real Estate	8.0	5.6	3.1
Private Equity/Debt	11.0	10.2	7.6
Multi-Asset	4.0	5.8	3.3
<b><i>Total Core Fund</i></b>	<b>115.0</b>	<b>6.6</b>	<b>4.1</b>
<b><i>Variable Fund Asset Class</i></b>			
US Equities	70.0	6.6	4.1
International Equities	30.0	7.4	4.9
<b><i>Total Variable Fund</i></b>	<b>100.0</b>	<b>7.1</b>	<b>4.6</b>

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.4%

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

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

#### **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, 2020 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	49.0%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
<i>Total Core Fund</i>	110.0	7.5	4.6
<u>Variable Fund Asset Class</u>			
US Equities	70.0	7.5	4.6
International Equities	30.0	8.2	5.3
<i>Total Variable Fund</i>	100.0	7.8	4.9

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.75%

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

**Single discount rate.** A single discount rate of 7.00 percent was used to measure the total pension liability as of December 31, 2021 and December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a long term bond rate of 2.0 percent and 2.75 percent, in 2021 and 2020 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, 2020 and 2019, 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 7.00 percent expected rate of return implies that a dividend of approximately 1.9 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, 2021 and 2020

## 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, 2021 is as follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Utility’s proportionate share of the net pension liability (asset)	\$ 3,161,112	\$ (3,317,731)	\$ (8,082,028)

The sensitivity analysis as of December 31, 2020 is as follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Utility’s proportionate share of the net pension liability (asset)	\$ 4,643,851	\$ (1,803,263)	\$ (6,616,177)

***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>.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

### **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.

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, 2021 and 2020, the following employees were covered by the benefit terms:

	Water Utility	
	2021	2020
Inactive plan members or beneficiaries currently receiving benefit payments	22	23
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	104	122
	126	145

#### **TOTAL OPEB LIABILITY**

At December 31, 2021, the utility's total OPEB liability of \$3,015,304 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date. At December 31, 2020, the utility's total OPEB liability was \$3,002,730 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.



## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

#### **NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

**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:

	2021	2020
Actuarial valuation date	December 31, 2021	December 31, 2020
Inflation	2.50% per year	2.50% per year
Salary increases	3.00%	3.00%
Investment rate of return	2.12% as of January 1, 2021 and 2.25% as of December 31, 2021	3.26% as of January 1, 2020 and 2.12% as of December 31, 2020
Healthcare cost trend rates	7.5% initially reduced by decrements to an ultimate rate of 4.5% after 7 years	8.0% initially reduced by decrements to an ultimate rate of 4.5% after 7 years
Retirees' share of benefit-related costs	100%	100%
Discount rate	2.25%	2.12%

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-2020

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

#### **CHANGES IN THE TOTAL OPEB LIABILITY**

	Total OPEB Liability
Balances at January 1, 2021	<u>\$ 3,002,730</u>
Changes for the year:	
Allocation changes	(67,393)
Service cost	230,069
Interest	65,889
Differences between expected and actual experience	(68,576)
Changes in assumptions	(31,930)
Benefit payments	<u>(115,485)</u>
Net changes	<u>12,574</u>
Balances at December 31, 2021	<u><u>\$ 3,015,304</u></u>

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

#### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

##### *CHANGES IN THE TOTAL OPEB LIABILITY (cont.)*

	<u>Total OPEB Liability</u>
Balances at January 1, 2020	\$ 2,698,894
Changes for the year:	
Allocation changes	(98,467)
Service cost	178,623
Interest	88,516
Changes in benefits terms	(2,792)
Differences between expected and actual experience	(142,947)
Changes in assumptions	409,586
Benefit payments	<u>(128,683)</u>
Net changes	<u>303,836</u>
 Balances at December 31, 2020	 \$ 3,002,730

Changes in assumptions and other inputs from December 31, 2020 to December 31, 2021 include the following, respectively; change in the discount rate from 2.12% to 2.25% and an update in the health care and subsidy trend rates from a rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50% to an initial rate of 7.50% decreasing by 0.50% annually to an ultimate rate of 4.50%.

***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:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
As of December 31, 2021:			
Total OPEB liability	\$ 3,272,281	\$ 3,015,304	\$ 2,783,243
 As of December 31, 2020:			
Total OPEB liability	\$ 3,263,193	\$ 3,002,730	\$ 2,767,587

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

#### **NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

**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, 2021:	1% Decrease (6.50%)	Healthcare Cost Trend Rates (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 2,694,273	\$ 3,015,304	\$ 3,400,103

As of December 31, 2020:	1% Decrease (7.00%)	Healthcare Cost Trend Rates (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 2,698,681	\$ 3,002,730	\$ 3,366,033

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

For the year ended December 31, 2021 and 2020, the utility recognized OPEB expense of \$294,222 and \$277,819, respectively. At December 31, 2021 and 2020, the utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 399,922	\$ (51,865)	\$ 480,685	\$ (30,594)
Differences between expected and actual experience	-	(308,489)	-	(306,181)
Total	\$ 399,922	\$ (360,354)	\$ 480,685	\$ (336,775)

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

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:

2022	\$	606
2023		606
2024		606
2025		606
2026		29,686
Thereafter		7,458

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### NOTE 10 – COMMITMENTS AND CONTINGENCIES

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#### *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, 2021 and 2020 has been accrued in these financial statements.

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### NOTE 11 – SUBSEQUENT EVENTS

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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, 2021

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

Fiscal Year Ending	City's	Utility's	Covered Payroll	Proportionate	Plan Fiduciary
	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)		Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Net Position as a Percentage of the Total Pension Asset
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%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2021

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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, 2021

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

*Changes of assumptions.*

	2015 - 2018	2019 - 2021
Long-term expected rate of return	7.00%	7.00%
Discount rate	7.00%	7.00%
Salary increases		
Inflation	3.00%	3.00%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	1.90%	1.90%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## MADISON WATER UTILITY

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

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Allocation changes	\$ (67,393)	\$ (98,467)	\$ (32,216)	
Service Cost	230,069	178,623	162,366	179,319
Interest on Total OPEB Liability	65,889	88,516	105,763	96,586
Changes in benefits terms	-	(2,792)	-	-
Difference between expected and actual experience	(68,576)	(142,947)	(87,124)	(198,756)
Changes in assumptions	(31,930)	409,586	169,237	(51,468)
Employee Contributions	-	-	-	-
Benefit payments, including employee refunds	(115,485)	(128,683)	(123,342)	(109,523)
Administrative expense	-	-	-	-
<b>Net Change in total OPEB Liability</b>	12,574	303,836	194,684	(83,843)
<b>Total OPEB Liability - Beginning</b>	3,002,730	2,698,894	2,504,210	2,588,053
<b>Total OPEB Liability - Ending</b>	\$ 3,015,304	\$ 3,002,730	\$ 2,698,894	\$ 2,504,210
 <b>Covered-employee payroll</b>	 \$ 7,953,849	 \$ 7,573,090	 \$ 7,796,356	 \$ 7,505,306
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 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 2.12% to 2.25% in the December 31, 2021 valuation.

*Health Care and Subsidy Trend Rates* - An update in the health care and subsidy trend rates from an initial rate of 8.00% decreasing by 0.05% annually to an ultimate rate of 4.50% to an initial rate of 7.50% decreasing by 0.05% annually to an ultimate rate of 4.50% for the December 31, 2021 valuation.

*Inflation* - The inflation rate remained the same, 2.50%, in the December 31, 2021 valuation.

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



**SUPPLEMENTAL INFORMATION**

**MADISON WATER UTILITY**

REVENUE BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES  
As of December 31, 2021

Year	2012 Revenue Bonds			2013 Revenue Bonds			2015 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 990,000	\$ 437,400	\$ 1,427,400	\$ 1,085,000	\$ 710,775	\$ 1,795,775	\$ 1,735,000	\$ 1,139,079	\$ 2,874,079
2023	1,015,000	397,300	1,412,300	1,115,000	655,775	1,770,775	1,785,000	1,051,079	2,836,079
2024	1,040,000	356,200	1,396,200	1,150,000	599,150	1,749,150	1,855,000	960,079	2,815,079
2025	1,065,000	314,100	1,379,100	1,190,000	546,600	1,736,600	1,930,000	865,454	2,795,454
2026	1,095,000	276,375	1,371,375	1,240,000	498,000	1,738,000	2,005,000	787,129	2,792,129
2027	1,125,000	243,075	1,368,075	1,290,000	447,400	1,737,400	2,090,000	725,704	2,815,704
2028	1,160,000	208,800	1,368,800	1,340,000	394,800	1,734,800	2,170,000	663,431	2,833,431
2029	1,195,000	173,475	1,368,475	1,390,000	340,200	1,730,200	2,235,000	598,983	2,833,983
2030	1,235,000	137,025	1,372,025	1,440,000	283,600	1,723,600	2,305,000	529,731	2,834,731
2031	1,275,000	99,375	1,374,375	1,500,000	224,800	1,724,800	2,380,000	455,924	2,835,924
2032	1,315,000	60,525	1,375,525	1,560,000	163,600	1,723,600	2,460,000	379,406	2,839,406
2033	1,360,000	20,400	1,380,400	1,620,000	100,000	1,720,000	2,540,000	301,281	2,841,281
2034	-	-	-	1,690,000	33,800	1,723,800	2,625,000	220,578	2,845,578
2035	-	-	-	-	-	-	2,715,000	135,444	2,850,444
2036	-	-	-	-	-	-	2,810,000	45,661	2,855,661
Totals	\$ 13,870,000	\$ 2,724,050	\$ 16,594,050	\$ 17,610,000	\$ 4,998,500	\$ 22,608,500	\$ 33,640,000	\$ 8,858,963	\$ 42,498,963

Year	2016A Revenue Bonds			2016B Revenue Bonds			2018A Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 885,000	\$ 885,025	\$ 1,770,025	\$ 1,215,000	\$ 463,625	\$ 1,678,625	\$ 1,120,000	\$ 1,125,200	\$ 2,245,200
2023	930,000	839,650	1,769,650	1,270,000	401,500	1,671,500	1,165,000	1,079,500	2,244,500
2024	980,000	791,900	1,771,900	1,340,000	336,250	1,676,250	1,210,000	1,032,000	2,242,000
2025	1,025,000	741,775	1,766,775	1,405,000	267,625	1,672,625	1,260,000	982,600	2,242,600
2026	1,080,000	689,150	1,769,150	1,475,000	195,625	1,670,625	1,310,000	931,200	2,241,200
2027	1,135,000	633,775	1,768,775	1,550,000	120,000	1,670,000	1,360,000	877,800	2,237,800
2028	1,190,000	575,650	1,765,650	1,625,000	40,625	1,665,625	1,415,000	822,300	2,237,300
2029	1,250,000	514,650	1,764,650	-	-	-	1,470,000	764,600	2,234,600
2030	1,310,000	457,200	1,767,200	-	-	-	1,530,000	704,600	2,234,600
2031	1,365,000	403,700	1,768,700	-	-	-	1,595,000	642,100	2,237,100
2032	1,420,000	348,000	1,768,000	-	-	-	1,655,000	577,100	2,232,100
2033	1,475,000	290,100	1,765,100	-	-	-	1,720,000	509,600	2,229,600
2034	1,535,000	229,900	1,764,900	-	-	-	1,790,000	439,400	2,229,400
2035	1,595,000	167,300	1,762,300	-	-	-	1,865,000	366,300	2,231,300
2036	1,660,000	102,200	1,762,200	-	-	-	1,935,000	290,300	2,225,300
2037	1,725,000	34,500	1,759,500	-	-	-	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	\$ 20,560,000	\$ 7,704,475	\$ 28,264,475	\$ 9,880,000	\$ 1,825,250	\$ 11,705,250	\$ 28,690,000	\$ 11,528,600	\$ 40,218,600

**MADISON WATER UTILITY**

REVENUE BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES  
As of December 31, 2021

Year	2018B Taxable Revenue Bonds (Operating)			2019A Refunding Bonds			2019B Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 975,000	\$ 234,999	\$ 1,209,999	\$ 2,545,000	\$ 1,278,125	\$ 3,823,125	\$ 975,000	\$ 258,901	\$ 1,233,901
2023	1,005,000	204,301	1,209,301	3,430,000	1,128,750	4,558,750	990,000	241,212	1,231,212
2024	1,040,000	171,832	1,211,832	3,395,000	1,009,050	4,404,050	1,015,000	222,412	1,237,412
2025	1,070,000	137,537	1,207,537	3,320,000	892,100	4,212,100	1,040,000	202,370	1,242,370
2026	1,110,000	101,012	1,211,012	3,440,000	723,100	4,163,100	1,065,000	180,788	1,245,788
2027	1,145,000	62,105	1,207,105	3,120,000	559,100	3,679,100	1,090,000	157,615	1,247,615
2028	1,185,000	21,034	1,206,034	3,280,000	399,100	3,679,100	1,120,000	133,025	1,253,025
2029	-	-	-	5,515,000	206,800	5,721,800	1,150,000	106,912	1,256,912
2030	-	-	-	4,045,000	56,050	4,101,050	1,185,000	78,884	1,263,884
2031	-	-	-	780,000	7,800	787,800	1,220,000	48,813	1,268,813
2032	-	-	-	-	-	-	1,255,000	16,629	1,271,629
Totals	\$ 7,530,000	\$ 932,820	\$ 8,462,820	\$ 32,870,000	\$ 6,259,975	\$ 39,129,975	\$ 12,105,000	\$ 1,647,561	\$ 13,752,561

Year	2019 Bond Anticipation Notes			TOTAL (All Revenue Debt)		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ -	\$ 300,000	\$ 300,000	\$ 11,525,000	\$ 6,833,129	\$ 18,358,129
2023	-	300,000	300,000	12,705,000	6,299,067	19,004,067
2024	20,000,000	300,000	20,300,000	33,025,000	5,778,873	38,803,873
2025	-	-	-	13,305,000	4,950,161	18,255,161
2026	-	-	-	13,820,000	4,382,379	18,202,379
2027	-	-	-	13,905,000	3,826,574	17,731,574
2028	-	-	-	14,485,000	3,258,765	17,743,765
2029	-	-	-	14,205,000	2,705,620	16,910,620
2030	-	-	-	13,050,000	2,247,090	15,297,090
2031	-	-	-	10,115,000	1,882,512	11,997,512
2032	-	-	-	9,665,000	1,545,260	11,210,260
2033	-	-	-	8,715,000	1,221,381	9,936,381
2034	-	-	-	7,640,000	923,678	8,563,678
2035	-	-	-	6,175,000	669,044	6,844,044
2036	-	-	-	6,405,000	438,161	6,843,161
2037	-	-	-	3,740,000	245,800	3,985,800
2038	-	-	-	2,095,000	129,100	2,224,100
2039	-	-	-	2,180,000	43,600	2,223,600
Totals	\$ 20,000,000	\$ 900,000	\$ 20,900,000	\$ 196,755,000	\$ 47,380,194	\$ 244,135,194

# MADISON WATER UTILITY

## OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>OPERATING REVENUES</b>		
Unmetered Sales	\$ 374,588	\$ 367,520
Metered Sales		
Residential	21,555,254	20,007,035
Duplex	804,490	764,961
Multi-Family	9,125,543	8,638,819
Commercial	8,276,635	7,560,569
Industrial	1,070,622	919,679
Public authority	5,357,024	5,286,155
Sales for resale	454,069	359,576
Total Metered Sales	46,643,637	43,536,795
Public Fire Protection	131,167	137,746
Total Sales of Water	47,149,392	44,042,061
Customer Late Payment Penalties	206,653	131,878
Miscellaneous	74,018	72,324
Rents from water property	297,316	288,508
Other	384,514	395,099
Total Operating Revenues	48,111,893	44,929,869
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Maintenance		
Supervision and engineering	54,585	16,485
Collecting and impounding reservoirs	22,933	20,394
Wells and springs	26,653	22,276
Total Source of Supply	104,171	59,155
Pumping		
Operation supervision and engineering	48,509	49,244
Power purchased for pumping	1,911,631	1,811,684
Pumping labor	544,946	472,221
Miscellaneous	498,642	593,822
Maintenance		
Supervision and engineering	183,067	202,289
Structures and improvements	344,735	387,135
Pumping equipment	419,200	458,563
Total Pumping	3,950,730	3,974,958
Water Treatment		
Operation supervision and engineering	97,592	111,525
Chemicals	124,195	113,662
Operation labor	224,299	243,324
Miscellaneous	83,467	88,974
Maintenance		
Supervision and engineering	15,945	16,485
Water treatment equipment	173,527	105,430
Total Water Treatment	719,025	679,399

## MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES (cont.)  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 272,289	\$ 301,895
Storage facilities	109,606	107,529
Transmission and distribution lines	335,781	452,095
Meter	106,291	46,861
Customer installation	379,512	415,070
Miscellaneous	1,438,366	1,569,658
Maintenance		
Reservoirs	51,431	36,902
Mains	1,891,484	1,996,927
Services	1,173,366	1,263,389
Meters	134,600	190,233
Hydrants	338,937	268,325
Total Transmission and Distribution	6,231,663	6,648,886
Customer Accounts		
Supervision	14,657	28,732
Meter reading	94,526	80,581
Customer records and collection	452,851	435,819
Conservation	199,304	211,448
Total Customer Accounts	761,338	756,580
Administrative and General		
Salaries	959,093	1,039,000
Office, building, and supplies	988,851	789,010
Outside services employed	102,577	93,975
Property insurance	45,691	55,656
Injuries and damages	299,542	306,612
Employee pensions and benefits	1,047,692	1,820,244
Miscellaneous	122,395	157,413
Maintenance of general plant	3,784	3,652
Total Administrative and General	3,569,625	4,265,561
Total Operation and Maintenance	15,336,552	16,384,539
Depreciation	8,377,801	8,203,231
Taxes	590,905	594,713
Total Operating Expenses	24,305,258	25,182,483
OPERATING INCOME	\$ 23,806,635	\$ 19,747,386