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# 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, 2022 and 2021

**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, 2022 and 2021

## Independent Auditors' Report

To the Water Utility Board of the
Madison Water Utility

**Opinion**

We have audited the financial statements of the Madison Water Utility (Utility), an enterprise fund of the City of Madison, Wisconsin, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion , the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utility as of December 31, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

**Basis for Opinion**

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

**Emphasis of Matters**

As discussed in Note 1, the financial statements of the Utility of the City of Madison, Wisconsin, are intended to present the the financial position, the changes in financial position, and cash flows of only the Utility. They do not purport to, and do not, present fairly the financial position of the City of Madison as of December 31, 2022, and 2021, 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.

As discussed in Note 1, the Utility adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to prior periods presented. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

Baker Tilly US, LLP

Madison, Wisconsin
June 26, 2023

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

# MADISON WATER UTILITY

MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2022 and 2021

## GENERAL INFORMATION ABOUT MADISON WATER UTILITY

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

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

## 2022 FINANCIAL HIGHLIGHTS

- Total operating revenues increased $49,000 or .1% from 2021 to 2022, and pumpage increased 1.1% for that same period.

- Income before capital contributions and transfers decreased $1.7 million or 9.5% from the prior year. The decrease was due largely to an increase of $1.7 million in Operating and Maintenance costs.

- Capital assets increased by $3.8 million in 2022, which were financed with the issuance of 2019 Bond Anticipation Notes (BANs) and reserves. BANs in the amount of $20 million were issued in 2019 to cover capital projects from 2019 through 2022.

## 2021 FINANCIAL HIGHLIGHTS

- Total operating revenues increased $3.1 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.

## RATES

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 rate order for the most recent case was issued on December 29, 2022 and the rates became effective March 1, 2023. The utility is currently ranked fourth for residential rates out of eighty utilities classified as AB (over 4,000 customers) in Wisconsin.

## UTILITY FINANCIAL ANALYSIS

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)**

| | 2022 | Restated 2021 | 2020 |
|---|---|---|---|
| Current and Other Assets | $ 73,102 | $ 73,236 | $ 65,068 |
| Capital Assets | 302,935 | 306,174 | 307,460 |
| Total Assets | 376,037 | 379,410 | 372,528 |
| Deferred Outflows of Resources | 9,371 | 6,759 | 5,399 |
| Current Liabilities | 18,131 | 17,577 | 15,709 |
| Long-term Debt Outstanding | 145,250 | 185,230 | 196,755 |
| Long-term Liabilities | 37,004 | 17,470 | 17,828 |
| Total Liabilities | 200,385 | 220,277 | 230,292 |
| Deferred Inflows of Resources | 17,248 | 11,377 | 5,651 |
| Net Investment in Capital Assets | 136,416 | 127,492 | 123,527 |
| Restricted | 19,332 | 19,900 | 16,084 |
| Unrestricted | 12,027 | 7,123 | 2,373 |
| Total Net Position | $ 167,775 | $ 154,515 | $ 141,984 |

## UTILITY FINANCIAL ANALYSIS (cont.)

In 2022, total assets combined with deferred outflows of resources decreased $761,000 and total liabilities with deferred inflows of resources decreased $14.0 million, resulting in an increase in net position of $13.3 million from 2021. The change was primarily due to a decrease in debt of $19.9 million and an increase in net pension asset and pension related deferred outflows of $3.5 million offset by an increase in deferred inflows of $5.9 million due to the implementation of GASB 87 and a decrease in cash of $4.2 million. In 2021, total assets combined with deferred outflows of resources increased $8.2 million and total liabilities with deferred inflows of resources decreased $4.3 million, resulting in an increase in net position of $12.5 million from 2020. The change was primarily due to an increase of $2.7 million in restricted and non-restricted cash, an increase of $3.5 million lease receivables and $1.1 million in right to use asset, 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 $10.8 million of deferred inflows.

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

| | 2022 | Restated 2021 | 2020 |
|---|---|---|---|
| Operating Revenues | $ 47,114 | $ 47,149 | $ 44,042 |
| Non-operating Revenues | 1,026 | 942 | 888 |
| Total Revenues | 48,140 | 48,091 | 44,930 |
| Operation & Maintenance Expense | 17,606 | 15,927 | 16,979 |
| Depreciation Expense | 8,463 | 8,377 | 8,203 |
| Non-operating Expense | 6,226 | 6,272 | 6,093 |
| Total Expense | 32,295 | 30,576 | 31,275 |
| Income Before Capital Contributions and Transfers | 15,845 | 17,515 | 13,655 |
| Capital Contributions | 4,117 | 2,440 | 2,873 |
| Transfers, net | (6,702) | (7,424) | (7,095) |
| Change in Net Position | 13,260 | 12,531 | 9,433 |
| Beginning Net Position | 154,515 | 141,984 | 132,551 |
| Ending Net Position | $ 167,775 | $ 154,515 | $ 141,984 |

## UTILITY FINANCIAL ANALYSIS (cont.)

The Utility's total revenues increased $49,000 or .1% from 2021 to 2022 as a result of the implementation of GASB 87 in 2022. The Utility's total revenues increased $3.1 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.

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

| | 2022 | Restated 2021 | 2020 |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Unmetered Sales | $ 414 | $ 375 | $ 367 |
| Metered Sales | | | |
| Residential | 20,466 | 21,555 | 20,007 |
| Duplex | 819 | 804 | 765 |
| Multi-Family | 9,356 | 9,126 | 8,639 |
| Commercial | 8,401 | 8,277 | 7,560 |
| Industrial | 992 | 1,071 | 920 |
| Public authorities | 6,124 | 5,357 | 5,286 |
| Sales for resale | 417 | 454 | 360 |
| Total Metered Sales | 46,575 | 46,644 | 43,537 |
| Public fire protection | 125 | 131 | 138 |
| Total Sales of Water | 47,114 | 47,150 | 44,042 |
| Customer Late Payment Penalties | 201 | 207 | 132 |
| Miscellaneous | 65 | 74 | 72 |
| Rents from Water Property | 375 | 276 | 289 |
| Other | 385 | 384 | 395 |
| Total Operating Revenues | 48,140 | 48,091 | 44,930 |
| **OPERATING EXPENSES** | | | |
| Source of Supply | 170 | 104 | 59 |
| Pumping | 4,202 | 3,951 | 3,975 |
| Water Treatment | 771 | 719 | 679 |
| Transmission and Distribution | 6,987 | 6,232 | 6,649 |
| Customer Accounts | 819 | 761 | 757 |
| Administrative and General | 4,028 | 3,570 | 4,266 |
| Total Operation and Maintenance | 16,977 | 15,337 | 16,385 |
| Depreciation | 8,462 | 8,377 | 8,203 |
| Taxes | 629 | 591 | 595 |
| Total Operating Expenses | 26,068 | 24,305 | 25,183 |
| OPERATING INCOME | $ 22,072 | $ 23,786 | $ 19,747 |

**UTILITY FINANCIAL ANALYSIS** (cont.)

***Revenues***

Total operating revenues were $48.1 for 2022 and 2021. Pumpage increased by 1.1% in 2022 over 2021.

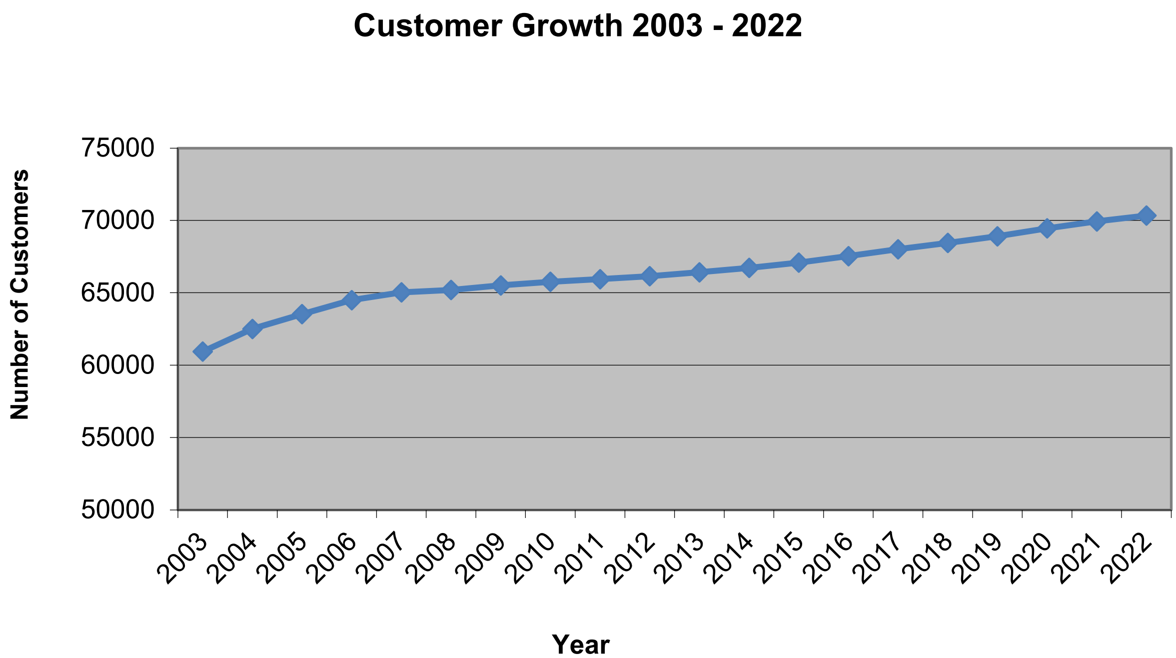
Total operating revenues for 2021 were $48.1 million compared to $44.9 million in 2020. New rates became effective July 2, 2020. Pumpage increased by 2.0% in 2021 over 2020. All classes experienced an increase in revenue in 2021.

***Expenses***

Operation and maintenance expenses (including taxes) totaled $17.6 million in 2022, compared to $15.9 million in 2021, an increase of $1.7 million, or 10.5%. The increase is primarily due to an increase in costs across all expenses. Depreciation expense increased $85,000 or 1.0% to $8.5 million in 2022 from $8.4 million in 2021 as a result of an additional $3.8 million in capital assets placed into service.

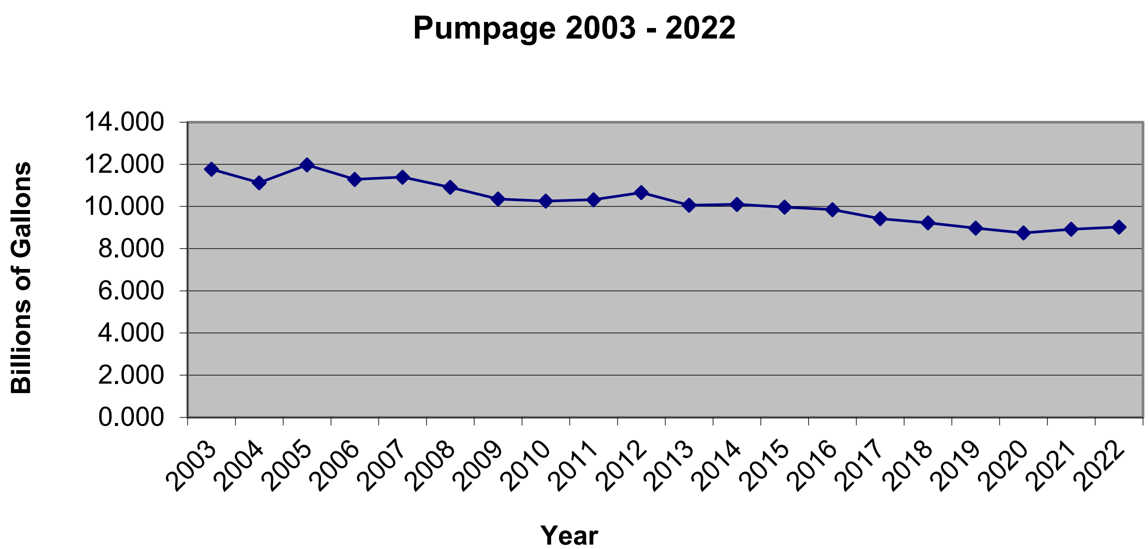
Operation and maintenance expenses (including taxes) totaled $15.9 million in 2021, compared to $17.0 million in 2020, a decrease of $1.0 million, or 6.2%. The decrease is primarily due to a decrease in conservation expenses, and a decrease in employee pensions and benefits expenses related to GASB 68. 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.

**UTILITY FINANCIAL ANALYSIS** (cont.)




The Utility added 522 new customers in 2022 compared with 496, 627, and 606 new customers added in 2021, 2020 and 2019, respectively.

## UTILITY FINANCIAL ANALYSIS (cont.)




Pumping for the year increased 1.1% from 8.921 billion gallons in 2021 to 9.021 billion gallons in 2022.

## CAPITAL EXPENDITURES

The Utility added $4.6 million of plant in 2022. Of this amount, approximately $2.8 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2022 included; $639,000 for new and replacement water mains, laterals, and hydrants, $588,000 for pumping plant and telemetry equipment: motor control center (MCC) SCADA upgrades, programmable logic controllers (PLC), transformers, and variable frequency drives (VFDs), $115,000 for vehicles, and $411,000 for our meter program.

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.

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

## CAPITAL BORROWING

The previous policy of the Utility had been to maintain depreciation and net revenues such that depreciation funds could be used for capital projects, and net income could be used for debt retirement. Due to the increased level of planned capital spending, the Utility has looked to fund the vast majority of its capital budget needs through the sale of revenue bonds. The Utility borrowed $20.3 million in general obligation bonds in 2022, $66.7 million of revenue bonds in 2019, $40.2 million of revenue bonds in 2018, $38.4 million of revenue bonds in 2016, and $41.6 million of revenue bonds in 2015. The 2022 borrowing was used to refund $29.4 million of 2012 and 2013 revenue bonds. The 2019 borrowing included $20 million of bond anticipation notes (BAN) to fund the remainder of the 2019 capital projects and all of 2020, 2021 and 2022 capital projects, $33.7 million to refund 2009A and 2010 bonds and $13.0 million to advance refund 2011 bonds.

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

On June 29, 2022, the Utility filed an application with the Wisconsin Department of Natural Resources for the state fiscal year 2023 Safe Drinking Water Loan Program (SDWLP) for $5.8 million of 2020 and 2021 main replacement projects. On November 14, 2022, the Utility was placed on the Final Funding List at an estimated loan amount of $5.8 million. 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 2.145%.

On October 31, 2022, the Utility filed Intent to Apply for four program/projects totaling $17.1 million with the Wisconsin Department of Natural Resources for the state fiscal year 2024 Safe Drinking Water Loan Program (SDWLP). Included in the Intent to Apply are $3.3 million of 2021 and 2022 main replacement projects, $1.0 million of operational resiliency projects, $6.8 million for unit well 19 treatment system addition, and $6.0 million for unit well 15 PFAS treatment project. The Utility is applying for principal forgiveness for the unit well 15 project.

## ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

Madison has a unique status in terms of economic stability, being the state capital and home to the University of Wisconsin – Madison and its 43,000 students, versus the national economy. While customer growth has slowed, the Utility added a net 18.7 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.

## ECONOMIC FACTORS AND FUTURE BUDGET ISSUES (cont.)

The Utility included a two year pilot Customer Assistance Program in the 2021 rate case filed on November 30, 2021. This program was approved by the PSC of Wisconsin on December 29, 2022 and became effective on March 1, 2023. The program is a city-wide program being offered to Madison Municipal Services customers making at or below 50% of the area median income for the Madison area calculated by the Department of Housing and Urban Development (HUD).

The Utility experienced a significant decline in consumption starting in 2015 due to loss of industry, water conservation and changes in weather patterns. In 2022, consumption was up 1% over 2021. Management will continue to monitor these trends and revise financial goals accordingly.

## UTILITY CONTACT INFORMATION

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

# FINANCIAL STATEMENTS

# MADISON WATER UTILITY

STATEMENTS OF NET POSITION
As of December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and investments | $ 17,537,363 | $ 15,133,156 |
| Restricted Assets | | |
| Principal and interest account | 13,164,827 | 14,917,677 |
| Customer accounts receivable | 3,736,177 | 2,708,793 |
| Prepaids | 232,909 | 217,413 |
| Materials and supplies | 1,481,911 | 978,475 |
| Due from municipality | 939,323 | 1,043,988 |
| Current portion of special assessments | 211,624 | 66,095 |
| Current portion of lease receivable | 221,495 | 178,104 |
| Other current assets, net | 211,515 | 308,923 |
| Total Current Assets | 37,737,144 | 35,552,624 |
| **NONCURRENT ASSETS** | | |
| Restricted Assets | | |
| Reserve account | 12,631,436 | 15,738,047 |
| Depreciation account | 750,000 | 750,000 |
| Assessment account | 1,504,541 | 1,351,770 |
| Construction account | 6,420,832 | 8,343,939 |
| Net pension asset | 4,074,884 | 3,317,731 |
| Other Assets | | |
| Special assessments receivable (net of current portion) | 3,082,424 | 2,282,480 |
| Preliminary survey and investigation | 477,248 | 477,248 |
| Property held for future use | 112,429 | 112,429 |
| Nonutility property (net of accumulated depreciation) | 943,558 | 971,196 |
| Lease receivable (net of current portion) | 4,376,743 | 3,281,293 |
| Other contractual asset (net) | 990,685 | 1,057,314 |
| Capital Assets | | |
| Plant in service | 421,976,748 | 418,217,660 |
| Accumulated depreciation | (120,994,790) | (112,280,351) |
| Construction work in progress | 1,953,288 | 236,689 |
| Total Noncurrent Assets | 338,300,026 | 343,857,446 |
| Total Assets | 376,037,170 | 379,410,069 |
| ***DEFERRED OUTFLOWS OF RESOURCES*** | | |
| Unamortized loss on refunding | 499,009 | 577,128 |
| Deferred outflows related to pension | 8,532,851 | 5,781,876 |
| Deferred outflows related to OPEB | 339,233 | 399,922 |
| Total Deferred Outflows of Resources | 9,371,093 | 6,758,926 |

| | 2022 | Restated 2021 |
|---|---|---|
| ***LIABILITIES*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 1,242,967 | $ 1,059,030 |
| Other current liabilities | 1,832,655 | 1,363,242 |
| Current portion of GO debt | 1,690,000 | - |
| Current portion of advance from municipality | 153,138 | 142,101 |
| Current portion of contract liability | 47,511 | 44,891 |
| Current Liabilities Payable From Restricted Assets | | |
| Current portion of revenue bonds | 10,575,000 | 11,525,000 |
| Accrued interest | 2,589,827 | 3,443,057 |
| Total Current Liabilities | 18,131,098 | 17,577,321 |
| **NONCURRENT LIABILITIES** | | |
| Revenue bonds | 145,250,000 | 185,230,000 |
| Unamortized debt premium | 10,793,478 | 11,041,320 |
| Accrued sick leave | 2,044,005 | 1,941,933 |
| Total OPEB liability | 2,532,950 | 3,015,304 |
| GO debt | 20,345,000 | - |
| Advance from municipality | 161,533 | 314,671 |
| Contract liability (net of current portion) | 978,719 | 1,026,230 |
| Customer advances for construction | 148,592 | 130,508 |
| Total Noncurrent Liabilities | 182,254,277 | 202,699,966 |
| Total Liabilities | 200,385,375 | 220,277,287 |
| ***DEFERRED INFLOWS OF RESOURCES*** | | |
| Unamortized gain on refunding | 1,543,850 | 68,485 |
| Deferred inflows related to OPEB's | 956,365 | 360,354 |
| Deferred inflows related to pension | 10,190,964 | 7,433,203 |
| Deferred inflows related to leases | 4,557,179 | 3,515,166 |
| Total Deferred Inflows of Resources | 17,248,358 | 11,377,208 |
| ***NET POSITION*** | | |
| Net investment in capital assets | 136,416,185 | 127,492,429 |
| Restricted for: | | |
| Debt service | 13,003,010 | 14,480,498 |
| Capital repairs and replacement | 2,254,541 | 2,101,770 |
| Pension | 4,074,884 | 3,317,731 |
| Unrestricted | 12,025,910 | 7,122,072 |
| **TOTAL NET POSITION** | $ 167,774,530 | $ 154,514,500 |

## MADISON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Sales of water | $ 47,113,949 | $ 47,149,392 |
| Other | 1,025,994 | 941,440 |
| Total Operating Revenues | 48,139,943 | 48,090,832 |
| **OPERATING EXPENSES** | | |
| Operation and maintenance | 17,606,116 | 15,927,457 |
| Depreciation | 8,462,252 | 8,377,801 |
| Total Operating Expenses | 26,068,368 | 24,305,258 |
| Operating Income | 22,071,575 | 23,785,574 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Merchandising and jobbing | (62,804) | (55,011) |
| Bond issuance costs | (25,863) | - |
| Investment income | (289,082) | (3,432) |
| Interest and amortization expense | (5,848,579) | (6,195,414) |
| Other | - | (18,180) |
| Total Nonoperating Revenues (Expenses) | (6,226,328) | (6,272,037) |
| Income before Capital Contributions and Transfers | 15,845,247 | 17,513,537 |
| **CAPITAL CONTRIBUTIONS** | 4,117,037 | 2,440,456 |
| **TRANSFERS IN / (OUT)** | 143,183 | 189,337 |
| **TRANSFERS - TAX EQUIVALENT** | (6,849,831) | (7,625,394) |
| **CAPITALIZED TAX EQUIVALENT** | 4,394 | 12,485 |
| **Change in Net Position** | 13,260,030 | 12,530,421 |
| NET POSITION - Beginning of Year | 154,514,500 | 141,984,079 |
| **NET POSITION - END OF YEAR** | $ 167,774,530 | $ 154,514,500 |

# MADISON WATER UTILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Received from customers | $ 48,408,513 | $ 48,736,076 |
| Paid to suppliers for goods and services | (10,457,436) | (9,520,247) |
| Paid to employees for services | (7,871,038) | (7,142,523) |
| Net Cash Flows from Operating Activities | 30,080,039 | 32,073,306 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Transfers - paid to municipality for tax equivalent | (6,845,437) | (7,612,909) |
| Principal paid on operating loan | (975,000) | (950,000) |
| Interest paid on operating loan | (234,999) | (264,117) |
| Repayment of advances from other funds | (142,101) | (137,216) |
| Interest paid on advances and loans from other funds | (1,522) | (1,700) |
| Transfers from (to) other funds | 143,183 | 189,337 |
| Net Cash Flows from Noncapital Financing Activities | (8,055,876) | (8,776,605) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Acquisition and construction of capital assets | (3,504,354) | (5,375,478) |
| Special assessments received | 307,605 | 345,940 |
| Contributions in aid of construction (advances refunded) | 32,216 | 99,685 |
| Debt issued - refunded bonds | 22,035,000 | - |
| Premium on debt issued | 2,320,506 | - |
| Debt issuance costs | (25,863) | - |
| Net interest/amortization on leases | (9,383) | (48,513) |
| Debt retired | (39,955,000) | (8,555,000) |
| Interest paid | (7,095,395) | (7,013,388) |
| Net Cash Flows from Capital and Related Financing Activities | (25,894,668) | (20,546,754) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Marketable securities purchased | - | (7,120,991) |
| Marketable securities sold | 1,195,019 | 7,353,763 |
| Investment income (loss) | (355,085) | (23,209) |
| Net Cash Flows from Investing Activities | 839,934 | 209,563 |
| **Net Change in Cash and Cash Equivalents** | (3,030,571) | 2,959,510 |
| CASH AND CASH EQUIVALENTS – Beginning of Year | 42,110,974 | 39,151,464 |
| **CASH AND CASH EQUIVALENTS – END OF YEAR** | $ 39,080,403 | $ 42,110,974 |

| | 2022 | Restated 2021 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Operating income | $ 22,071,575 | $ 23,785,574 |
| Nonoperating income | (62,804) | (73,191) |
| Noncash items included in operating income | | |
| Depreciation | 8,462,252 | 8,377,801 |
| Depreciation charged to other accounts | 1,067,745 | 1,075,308 |
| Changes in Assets and Liabilities | | |
| Customer accounts receivable | (1,027,384) | 79,601 |
| Receivable from other funds | 104,666 | 34,097 |
| Materials and supplies | (503,436) | (132,339) |
| Other current assets | 81,012 | 13,784 |
| Accounts payable and other current liabilities | 360,362 | (80,501) |
| Other postemployment benefit deferrals and liabilities | 174,346 | 116,916 |
| Pension related deferrals and liabilities | (750,367) | (838,231) |
| Accrued compensated absences | 102,072 | (285,513) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | $ 30,080,039 | $ 32,073,306 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS** | | |
| Cash and investments | $ 17,537,363 | $ 15,133,156 |
| Redemption account | 13,164,827 | 14,917,677 |
| Reserve account | 12,631,436 | 15,738,047 |
| Depreciation account | 750,000 | 750,000 |
| Assessment account | 1,504,541 | 1,351,770 |
| Construction account | 6,420,832 | 8,343,939 |
| Total Cash and Investments | 52,008,999 | 56,234,589 |
| Less: Noncash equivalents | (12,928,596) | (14,123,615) |
| **CASH AND CASH EQUIVALENTS** | $ 39,080,403 | $ 42,110,974 |
| **NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES** | | |
| Municipality, customer and developer financed additions to utility plant | $ 4,102,906 | $ 2,405,019 |
| Capital additions assessed to customers | $ (1,319,173) | $ 214,253 |
| Adjustments to special assessments | $ 66,094 | $ 370,869 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### *REPORTING ENTITY*

The utility is a separate enterprise fund of the City of Madison (municipality). The utility provides retail water service to customers in the municipality, portions of the Town of Burke, wholesale water service to the Villages of Maple Bluff and Shorewood Hills, and portions of Fitchburg Water Utility.

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

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

### *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION*

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

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

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the utility's leasing activities. The utility adopted this statement effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to prior periods presented.

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.

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

### *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.

## 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 2022 and 2021.

#### *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.

## 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:

| | Years |
|---|---|
| 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, payroll taxes and other benefits payable and accrued interest not payable from restricted assets.

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

### *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position* (cont.)

#### *Accrued Sick Leave and Vacation Leave*

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

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

Employees received 40 hours of emergency paid leave in 2022 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 December 9, 2023. All unused time was shown as a liability as of December 31, 2022. 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 straight line method. Gains or losses on refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statements of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow in the statements of net position and gains on refunding are presented as a deferred inflow of resources.

#### *Leases*

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

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

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

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

***Measurement of Lease Amounts (Lessor)***

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

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

- The utility uses the interest rate in the lease, if one is included, otherwise it uses the City's incremental borrowing rate for general obligation bonds for the current year for the discount rate.

- The lease term includes any noncancellable period of the lease.

- Lease payments are evaluated by the utility to determine if they should be included in the measurement of the lease receivable or lease liabilities.

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

*Contractual Right to Use Asset and Contractual Liability*
The utility has entered into an agreement with Dane County providing the utility with a perpetual easement for land in exchange for one half of the revenue form the cellular towers placed on the land. The amounts known based on existing leases of space has been recognized as a contractual right to use asset and contractual liability. This does not qualify as a lease under GASB No. 87.

***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.

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

### *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.

#### *Capital Contributions*

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

#### *Transfers – Tax Equivalent*

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

### *EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS*

GASB issued Statement No. 87, Leases in June 2017 and it is effective for periods ending December 31, 2022. The utility adopted the provisions of Statement No. 87 for year ending December 31, 2022. In conjunction with recording the lease receivables the utility recognized an inter-related contractual right to use asset. As a result of adoption, the cumulative effect of applying this Statement is recorded as beginning balances for the following accounts as of January 1, 2022:

| Account | 1/1/2021 Beginning Balance | 2021 Activity | 12/31/2021 Ending Balance |
|---|---|---|---|
| Current portion of lease receivable | $ - | $ 178,104 | $ 178,104 |
| Lease receivable (net of current portion | 3,104,183 | 177,110 | 3,281,293 |
| Other contractual asset (net) | 1,123,944 | (66,630) | 1,057,314 |
| Deferred inflows related to leases | (3,104,183) | (410,983) | (3,515,166) |
| Current portion of contract liability | (52,823) | 7,932 | (44,891) |
| Contract liability (net of current portion) | (1,071,121) | 44,891 | (1,026,230) |
| Revenues | - | (7,124) | (7,124) |
| Expenses | - | 76,700 | 76,700 |
| Increase (Decrease) to Net Position | $ - | $ 69,576 | $ 69,576 |

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

### *EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS* (cont.)

GASB has approved Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements, Statement No. 99, Omnibus 2022, Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62, and Statement No. 101, Compensated Absences.* 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.

## NOTE 2 – DEPOSITS AND INVESTMENTS

| | Carrying Value as of December 31, 2022 | Carrying Value as of December 31, 2021 | Associated Risks |
|---|---|---|---|
| Other Investment Pool | $ 38,017,488 | $ 38,918,115 | (A) |
| Money Market Mutual Funds | 1,041,815 | 3,171,759 | Custodial credit, interest rate |
| U.S. Agencies – implicitly guaranteed | 12,703,290 | 13,767,060 | Custodial credit, credit, concentration and interest rate risks |
| State and Local Bonds | 225,306 | 356,555 | Custodial credit, credit, concentration and interest rate risks |
| Working Funds – Petty Cash | 21,100 | 21,100 | None |
| Totals | $ 52,008,999 | $ 56,234,589 | |

(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).

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

### *FAIR VALUE*

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.

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, 2022 and 2021, the utility had investments in US Agency and State and Local Bond Securities of $12,928,596 and $14,123,615, respectively. These investments were valued using Level 2 input. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., “market-corroborated” inputs. Level 2 inputs include:

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

In addition to US Agency, 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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Bank Balance | Carrying Value | Bank Balance | Carrying Value |
| US Bank | $ 1,041,815 | $ 1,041,815 | $ 3,171,759 | $ 3,171,759 |

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

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

#### *Deposits (cont.)*

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 $12,928,596 and $14,123,615 of U.S. Agencies and State and Local Bond securities which were exposed to custodial credit risk as of December 31, 2022 and 2021, respectively, because the investments were neither insured nor registered and are held by counterparty.

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

### *INTEREST RATE RISK, CREDIT RISK AND CONCENTRATION RISK*

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2022 and 2021, all of the U.S. Agency investments were rated Aaa by Moody's Investors Service. All of the State and Local Bond investments were rated Aaa or Aa1 by Moody's Investors Service or AA+ by S&P.

Concentration risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. As of December 31, 2022, the utility had 19% of its portfolio in Federal Farm Credit Bank system securities, 10% of its portfolio in Federal Home Loan Bank system securities and 8% of its portfolio in Federal National Mortgage Association ("Fannie Mae") system securities. 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.

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

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

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

## NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances as of December 31, 2022 and 2021:

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| Due To | Due From | Amount | Principal Purpose | Amount | Principal Purpose |
| Water | Municipality | $ 939,323 | Delinquent water bills and special assessments on tax roll | $ 1,043,988 | Delinquent water bills and special assessments on tax roll |

The following is a schedule of transfer balances as of December 31, 2022 and 2021:

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| To | From | Amount | Principal Purpose | Amount | Principal Purpose |
| Municipality | Water | $ 6,849,831 | Tax equivalent | $ 7,625,394 | Tax equivalent |
| Water | Sewer | 143,183 | Operating expenses | 189,337 | 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. |
| 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 |

## NOTE 4 – RESTRICTED ASSETS (cont.)

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

The following calculation supports the amount of restricted net position:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Restricted Assets | | |
| Current restricted assets | | |
| Principal and interest | $ 13,164,827 | $ 14,917,677 |
| Noncurrent Restricted Assets | | |
| Reserve – *See Note (A)* | 12,631,436 | 15,738,047 |
| Construction | 6,420,832 | 8,343,939 |
| Assessment fund | 1,504,541 | 1,351,770 |
| Depreciation | 750,000 | 750,000 |
| Net pension asset | 4,074,884 | 3,317,731 |
| Total Noncurrent Restricted Assets | 25,381,693 | 29,501,487 |
| Total Restricted Assets | 38,546,520 | 44,419,164 |
| Less: Restricted Assets not Funded by Revenues | | |
| Reserve – *See Note (A)* | (10,203,426) | (12,732,169) |
| Construction | (6,420,832) | (8,343,939) |
| Current Liabilities Payable from Restricted Assets | (2,589,827) | (3,443,057) |
| Total Restricted Net Position | $ 19,332,435 | $ 19,899,999 |
| The purpose of the restricted net position is as follows: | | |
| Debt service | $ 13,003,010 | $ 14,480,498 |
| Capital repairs and replacement | 2,254,541 | 2,101,770 |
| Pension | 4,074,884 | 3,317,731 |
| Total | $ 19,332,435 | $ 19,899,999 |

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.

## NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2022 follows:

| | 1/1/22 Balance | Increases | Decreases | 12/31/22 Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land and land rights | $ 3,119,262 | $ 25,476 | $ | $ 3,144,738 |
| Capital assets being depreciated | | | | |
| Source of supply | 13,291,705 | - | 29,540 | 13,262,165 |
| Pumping | 25,191,446 | 437,657 | 278,019 | 25,351,084 |
| Water treatment | 5,784,808 | 35,685 | 28,383 | 5,792,110 |
| Transmission and distribution | 330,834,246 | 3,887,070 | 334,218 | 334,387,098 |
| General | 39,996,193 | 202,469 | 159,109 | 40,039,553 |
| Total Capital Assets Being Depreciated | 415,098,398 | 4,562,881 | 829,269 | 418,832,010 |
| Total Capital Assets | 418,217,660 | 4,588,357 | 829,269 | 421,976,748 |
| Less: Accumulated Depreciation | | | | |
| Source of supply | (6,897,501) | (311,634) | 28,252 | (7,180,883) |
| Pumping | (11,015,832) | (958,565) | 293,542 | (11,680,855) |
| Water treatment | (1,601,403) | (209,850) | 28,669 | (1,782,584) |
| Transmission and distribution | (76,913,855) | (6,414,760) | 349,407 | (82,979,208) |
| General | (15,851,760) | (1,679,160) | 159,660 | (17,371,260) |
| Total Accumulated Depreciation | (112,280,351) | (9,573,969) | 859,530 | (120,994,790) |
| Construction in progress | 236,689 | 3,466,318 | 1,749,719 | 1,953,288 |
| Net Capital Assets | $ 306,173,998 | | | $ 302,935,246 |

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

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) | 737,408 | (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 |

## NOTE 6 – LONG-TERM OBLIGATIONS

***REVENUE BONDS***

| Date | Purpose | Final Maturity | Interest Rates | Original Amount | 12/31/2022 Amount Outstanding |
|---|---|---|---|---|---|
| 12/19/12 | System improvements | 1/1/33 | 2.00 – 4.00% | $ 21,095,000 | $ - |
| 12/18/13 | System improvements | 1/1/34 | 3.00 – 5.00 | 24,335,000 | - |
| 12/17/15 | System improvements | 1/1/36 | 2.85 – 5.00 | 41,610,000 | 31,905,000 |
| 12/28/16 | Refunding debt and system improvements | 1/1/37 | 1.24 – 3.82 | 38,420,000 | 28,340,000 |
| 12/20/18 | Series A – System Improvements | 1/1/39 | 4.00 | 30,765,000 | 27,570,000 |
| 12/20/18 | Series B – Operations | 1/1/28 | 3.00 – 3.55 | 9,390,000 | 6,555,000 |
| 12/19/19 | Series A – Refunding 2009A and 2010 bonds | 1/1/31 | 2.00 – 5.00 | 33,680,000 | 30,325,000 |
| 12/19/19 | Series B – Refunding 2011 bonds | 1/1/32 | 1.70 – 2.65 | 13,055,000 | 11,130,000 |
| 12/19/19 | Bond anticipation notes – system improvements | 11/1/24 | 1.50 | 20,000,000 | 20,000,000 |
| | Totals | | | $ 232,350,000 | $ 155,825,000 |

Revenue bond debt service requirements to maturity follows:

| Year Ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 10,575,000 | $ 5,245,992 | $ 15,820,994 |
| 2024 | 30,835,000 | 4,823,523 | 35,658,523 |
| 2025 | 11,050,000 | 4,089,461 | 15,139,461 |
| 2026 | 11,485,000 | 3,608,004 | 15,093,004 |
| 2027 | 11,490,000 | 3,136,099 | 14,626,099 |
| 2028 - 2032 | 48,110,000 | 9,553,047 | 57,663,047 |
| 2033 - 2037 | 28,005,000 | 3,343,864 | 31,348,864 |
| 2038 -2039 | 4,275,000 | 172,700 | 4,447,700 |
| Totals | $ 155,825,000 | $ 33,972,690 | $ 189,797,690 |

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

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

***General Obligation Bonds***

| Date | Purpose | Final Maturity | Interest Rates | Original Amount | 12/31/2022 Amount Outstanding |
|---|---|---|---|---|---|
| 10/6/2022 | Refunding – System Improvements | 10/1/2033 | 4.00-5.00% | $ 22,035,000 | $ 22,035,000 |

General obligation bond debt service requirements to maturity follows:

| Year Ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 1,690,000 | $ 1,047,447 | $ 2,737,447 |
| 2024 | 1,730,000 | 977,700 | 2,707,700 |
| 2025 | 1,805,000 | 891,200 | 2,696,200 |
| 2026 | 1,895,000 | 800,950 | 2,695,950 |
| 2027 | 1,985,000 | 706,200 | 2,691,200 |
| 2028-2032 | 11,515,000 | 1,941,000 | 13,456,000 |
| 2033 | 1,415,000 | 56,600 | 1,471,600 |
| Totals | $ 22,035,000 | $ 6,421,097 | $ 28,456,097 |

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 2022 and 2021 were $18,358,129 and $16,782,505, respectively. Total customer net revenues as defined for 2022 and 2021 were $30,244,745 and $32,159,943, respectively. Annual principal and interest payments are expected to require 44% 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.

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

### *ADVANCE FROM MUNICIPALITY*

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | 12/31/22 Amount Outstanding |
|---|---|---|---|---|---|
| 10/3/10 | Payoff unfunded pension liability | 10/1/24 | 0.34% | $ 1,404,052 | $ 314,671 |

Advance debt service requirements to maturity follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 153,138 | $ 1,188 | $ 154,326 |
| 2024 | 161,533 | 760 | 162,293 |
| Totals | $ 314,671 | $ 1,948 | $ 316,619 |

### *OTHER CONTRACT LIABILITY*

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

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | 12/31/22 Amount Outstanding |
|---|---|---|---|---|---|
| 1/1/2021 | Use of land | 5/31/2037 – 2/28/2038 | 0.935864% | $ 1,123,944 | $ 1,026,230 |

Future annual contract payments for the year ended December 31, 2022 follows:

| Year Ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 47,511 | $ 9,218 | $ 56,729 |
| 2024 | 50,244 | 8,754 | 58,998 |
| 2025 | 53,094 | 8,264 | 61,358 |
| 2026 | 56,066 | 7,747 | 63,813 |
| 2027 | 59,165 | 7,200 | 66,365 |
| 2028 - 2032 | 347,115 | 26,717 | 373,832 |
| 2033 - 2037 | 413,035 | 8,181 | 421,216 |
| | $ 1,026,230 | $ 76,081 | $ 1,102,311 |

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

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

### *LONG-TERM OBLIGATIONS SUMMARY*

Long-term obligation activity for the year ended December 31, 2022, is as follows:

| | 1/1/22 Balance | Additions | Reductions | 12/31/22 Balance | Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 196,755,000 | $ - | $ 40,930,000 | $ 155,825,000 | $ 10,575,000 |
| General obligation bonds | - | 22,035,000 | - | 22,035,000 | 1,690,000 |
| Accrued sick leave | 1,941,933 | 293,317 | 191,245 | 2,044,005 | - |
| Other postemployment benefit obligation | 3,015,304 | - | 482,354 | 2,532,950 | - |
| Customer advances for construction | 130,508 | 531,863 | 513,779 | 148,592 | - |
| Advance from municipality | 456,772 | - | 142,101 | 314,671 | 153,138 |
| Other Contract Liability | 1,071,121 | - | 44,891 | 1,026,230 | 47,511 |
| Unamortized debt premium | 11,041,320 | 2,320,506 | 2,568,348 | 10,793,478 | - |
| Totals | $ 214,411,958 | $ 25,180,686 | $ 44,872,718 | $ 194,719,926 | $ 12,465,649 |

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 |
| Other Contract Liability | 1,123,943 | - | 52,822 | 1,071,121 | 44,891 |
| Unamortized debt premium | 12,074,794 | - | 1,033,474 | 11,041,320 | - |
| Totals | $ 225,349,161 | $ 859,192 | $ 11,796,395 | $ 214,411,958 | $ 11,711,992 |

### *CURRENT REFUNDING*

On October 6, 2022, general obligation bonds in the amount of $22,035,000 were issued with an average interest rate of 4.70% to refund $12,880,000 of outstanding Series 2012 bonds with an average interest rate of 3.21% and $16,525,000 of outstanding Series 2013 bonds with an average interest rate of 4.19%. 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 2013 bonds were called on January 3, 2023.

The cash flow requirements on the old bonds prior to the current refunding was $35,979,375 from 2023 to 2034. The cash flow requirements on the new bonds are $28,453,323 from 2023 through 2034. The current refunding resulted in an economic gain of $1,013,348.

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

### *COMPLIANCE WITH FUNDING REQUIREMENTS*

The utility is required to comply with various debt covenants as a result of issuing revenue bonds. One such requirement states that net revenues earned must be at least 1.25 times the highest combined annual principal and interest requirements on outstanding revenue bonds. The utility met this requirement in 2022 and 2021.

### *NUMBER OF CUSTOMERS*

At December 31, 2022 and 2021, the utility served the following number of customers:

| | 2022 | 2021 |
|---|---|---|
| Residential | 58,656 | 58,109 |
| Multifamily | 4,725 | 4,754 |
| Duplex | 2,177 | 2,119 |
| Commercial | 5,063 | 5,075 |
| Industrial | 76 | 73 |
| Public Authority | 675 | 673 |
| Totals | 71,372 | 70,803 |

### *WATER PUMPED AND BILLED*

During the years ended December 31, 2022 and 2021, the following amounts of water were pumped and billed:

| | (000 gallons) | |
|---|---|---|
| | 2022 | 2021 |
| Water pumped | 9,021,090 | 8,921,090 |
| Water billed | 7,832,404 | 7,811,815 |

### *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.

## NOTE 7 – NET POSITION

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

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

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

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

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

## NOTE 7 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Plant in Service | $ 421,976,748 | $ 418,217,660 |
| Accumulated Depreciation | (120,994,790) | (112,280,351) |
| Construction Work in Progress | 1,953,288 | 236,689 |
| Subtotals | 302,935,246 | 306,173,998 |
| Less: Capital Related Debt | | |
| Current portion of capital related long-term debt – *See Note (A)* | 11,260,000 | 10,550,000 |
| Long-term portion of capital related long-term debt – *See Note (A)* | 160,045,000 | 178,675,000 |
| Unamortized debt premium | 10,793,478 | 11,041,320 |
| Unamortized gain on advance refunding | 1,543,850 | 68,485 |
| Unamortized loss on advance refunding | (499,009) | (577,128) |
| Subtotals | 183,143,319 | 199,757,677 |
| Add: Borrowed Funds on Hand | | |
| Reserve fund | 10,203,426 | 12,732,169 |
| Construction fund | 6,420,832 | 8,343,939 |
| Subtotals | 16,624,258 | 21,076,108 |
| Total Net Investment in Capital Assets | $ 136,416,185 | $ 127,492,429 |

*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.

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

### *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:

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

## 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 $591,424 and $590,232 in contributions from the utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2022 and December 31, 2021 are:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Employee | Employer | Employee | Employer |
| General (including Executives and Elected Officials) | 6.75% | 6.75% | 6.75% | 6.75% |
| Protective with Social Security | 6.75% | 11.75% | 6.75% | 11.65% |
| Protective without Social Security | 6.75% | 16.35% | 6.75% | 16.25% |

### *PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS*

At December 31, 2022, the utility reported a liability (asset) of ($4,074,884) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. 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, 2021, the municipality's proportion was 1.8285%, which was an increase of 0.01862% from its proportion measured as of December 31, 2020.

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.

For the years ended December 31, 2022, and 2021, the utility recognized pension expense of ($750,367) and ($838,231), respectively.

## 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, 2022, 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 | $ 7,112,205 | $ (838,179) |
| Changes in assumptions | 818,296 | - |
| Net differences between projected and actual earnings on pension plan investments | - | (9,338,979) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,926 | (13,806) |
| Employer contributions subsequent to the measurement date | 591,424 | - |
| Totals | $ 8,532,851 | $ (10,190,964) |

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) |

## 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:

| 2022 | | |
|---|---|---|
| Year Ended December 31 | | Water Utility |
| 2023 | $ | (191,503) |
| 2024 | | (1,104,072) |
| 2025 | | (486,215) |
| 2026 | | (467,746) |
| 2027 | | - |
| Total | $ | (2,249,536) |

***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:

| | 2022 | 2021 |
|---|---|---|
| Actuarial valuation date | December 31, 2020 | December 31, 2019 |
| Measurement date of net Pension liability (Asset) | December 31, 2021 | December 31, 2020 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Asset valuation method | Fair value | Fair value |
| Long-term expected rate of return | 6.8% | 7.0% |
| Discount rate | 6.8% | 7.0% |
| Salary increases | | |
| Inflation | 3.0% | 3.0% |
| Seniority/Merit | 0.1% - 5.6% | 0.1% - 5.6% |
| Mortality | 2020 WRS Experience Mortality Table | Wisconsin 2018 Mortality Table |
| Post-retirement adjustments* | 1.7% | 1.9% |

** No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

## 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, 2020 actuarial valuation is based upon an experience study conducted in 2021 using experience from 2018– 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability (asset) changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability (asset) for December 31, 2021 is based upon a roll-forward of the liability (asset) calculated from the December 31, 2020 actuarial valuation.

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.

***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, 2022 are summarized in the following table:

| Core Fund Asset Class | Current Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|---|---|---|---|
| Global Equities | 52.0% | 6.8% | 4.2% |
| Fixed Income | 25.0 | 4.3 | 1.8 |
| Inflation Sensitive Assets | 19.0 | 2.7 | 0.2 |
| Real Estate | 7.0 | 5.6 | 3.0 |
| Private Equity/Debt | 12.0 | 9.7 | 7.0 |
| *Total Core Fund* | 115.0 | 6.6 | 4.0 |
| Variable Fund Asset Class | | | |
| US Equities | 70.0 | 6.3 | 3.7 |
| International Equities | 30.0 | 7.2 | 4.6 |
| *Total Variable Fund* | 100.0 | 6.8 | 4.2 |

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

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

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

## 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, 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 |
| *Total Core Fund* | 115.0 | 6.6 | 4.1 |
| Variable Fund Asset Class | | | |
| US Equities | 70.0 | 6.6 | 4.1 |
| International Equities | 30.0 | 7.4 | 4.9 |
| *Total Variable Fund* | 100.0 | 7.1 | 4.6 |

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

***Single discount rate.*** A single discount rate of 6.80 and 7.00 percent was used to measure the total pension liability (asset) as of December 31, 2022 and December 31, 2021. This single discount rate was based on the expected rate of return on pension plan investments of 6.80 and 7.00 percent and a municipal bond rate of 1.84 percent and 2.0 percent, in 2022 and 2021, 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, 2021 and 2020, respectively. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.80 percent expected rate of return implies that a dividend of approximately 1.7 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## 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, 2022 is as follows:

| | 1% Decrease to Discount Rate (5.80%) | Current Discount Rate (6.80%) | 1% Increase to Discount Rate (7.80%) |
|---|---|---|---|
| Utility's proportionate share of the net pension liability (asset) | $ 2,896,046 | $ (4,074,884) | $ (9,103,871) |

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) |

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

## NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

### *GENERAL INFORMATION ABOUT THE OPEB PLAN*

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

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

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, 2022 and 2021, the following employees were covered by the benefit terms:

| | Water Utility | |
|---|---|---|
| | 2022 | 2021 |
| Inactive plan members or beneficiaries currently receiving benefit payments | 9 | 22 |
| Inactive plan members entitled to but not yet receiving benefit payments | - | - |
| Active plan members | 105 | 104 |
| | 114 | 126 |

### *TOTAL OPEB LIABILITY*

At December 31, 2022, the utility's total OPEB liability of $2,532,950 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date. At December 31, 2021, the utility's total OPEB liability was $3,015,304 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

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

### *TOTAL OPEB LIABILITY* (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:

| | 2022 | 2021 |
|---|---|---|
| Actuarial valuation date | December 31, 2022 | December 31, 2021 |
| Inflation | 2.50% per year | 2.50% per year |
| Salary increases | 3.00% | 3.00% |
| Investment rate of return | 2.25% as of January 1, 2022 and 4.31% as of December 31, 2022 | 2.12% as of January 1, 2021 and 2.25% as of December 31, 2021 |
| Healthcare cost trend rates | 7.5% initially reduced by decrements to an ultimate rate of 4.5% after 7 years | 7.5% initially reduced by decrements to an ultimate rate of 4.5% after 7 years |
| Retirees' share of benefit-related costs | 100% | 100% |
| Discount rate | 4.31% | 2.25% |

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.

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

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

| | Total OPEB Liability |
|---|---|
| Balances at January 1, 2022 | $ 3,015,304 |
| Changes for the year: | |
| Allocation changes | 84,861 |
| Service cost | 234,723 |
| Interest | 73,513 |
| Change in benefit terms | 11,644 |
| Differences between expected and actual experience | (358,458) |
| Changes in assumptions | (392,615) |
| Benefit payments | (136,022) |
| Net changes | (482,354) |
| Balances at December 31, 2022 | $ 2,532,950 |

| | Total OPEB Liability |
|---|---|
| Balances at January 1, 2021 | $ 3,002,730 |
| 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 | (115,485) |
| Net changes | 12,574 |
| Balances at December 31, 2021 | $ 3,015,304 |

There was a change in the discount rate from 2.25% to 4.31% from December 31, 2021 to December 31, 2022.

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

| As of December 31, 2022: | 1% Decrease (3.31%) | Discount Rate (4.31%) | 1% Increase (5.31%) |
|---|---|---|---|
| Total OPEB liability | $ 2,739,910 | $ 2,532,950 | $ 2,344,889 |

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

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

As of December 31, 2021:

| | 1% Decrease (1.25%) | Discount Rate (2.25%) | 1% Increase (3.25%) |
|---|---|---|---|
| Total OPEB liability | $ 3,272,281 | $ 3,015,304 | $ 2,783,243 |

***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, 2022:

| | 1% Decrease (6.50%) | Healthcare Cost Trend Rates (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Total OPEB liability | $ 2,300,167 | $ 2,532,950 | $ 2,806,321 |

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 |

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

For the year ended December 31, 2022 and 2021, the utility recognized OPEB expense of $224,534 and $294,222, respectively. At December 31, 2022 and 2021, the utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of assumptions or other inputs | $ 339,233 | $ (386,610) | $ 399,922 | $ (51,865) |
| Differences between expected and actual experience | - | (569,755) | - | (308,489) |
| Total | $ 339,233 | $ (956,365) | $ 399,922 | $ (360,354) |

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

### *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: | |
|---|---|
| 2023 | $ (93,261) |
| 2024 | (93,261) |
| 2025 | (93,261) |
| 2026 | (63,362) |
| 2027 | (73,302) |
| Thereafter | (200,685) |

## NOTE 10 – LEASES

***WATER UTILITY AS LESSOR***

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

A summary of lease activities for December 31, 2022 follows:

| Lessee | Date of Inception | Final Maturity | Interest Rate | Receivable Balance 12/31/2022 | Deferred Inflow Balance 12/31/2022 |
|---|---|---|---|---|---|
| Verizon Wireless (Primeco) * | 6/1/1997 | 5/31/2027 | 0.935864% | $ 662,036 | $ 646,966 |
| New Cingular Wireless ATT Mobility * | 1/12/1998 | 1/11/2023 | 0.935864 | 695,754 | 665,357 |
| Sprint Spectrum LP * | 3/1/1998 | 2/28/2028 | 0.935864 | 694,670 | 669,047 |
| New Cingular Wireless PCS LLC | 4/1/2002 | 3/31/2022 | 0.935864 | - | - |
| New Cingular Wireless PCS LLC | 7/1/2002 | 6/30/2022 | 0.935864 | - | - |
| Sprint Spectrum LP | 6/1/2004 | 5/31/2024 | 0.935864 | 46,170 | 61,843 |
| Verizon Wireless Personal Communications LP | 10/10/2016 | 10/9/2026 | 0.935864 | 531,660 | 531,898 |
| New Cingular Wireless PCS LLC | 12/5/2021 | 12/4/2031 | 2.813855 | 651,003 | 663,247 |
| New Cingular Wireless PCS LLC | 4/1/2022 | 5/31/2027 | 2.813855 | 649,259 | 643,615 |
| New Cingular Wireless PCS LLC | 7/1/2022 | 6/30/2027 | 2.813855 | 667,686 | 675,206 |
| | | | | $ 4,598,238 | $ 4,557,179 |

*There is a related liability with Dane County related to these lease agreements as discussed in Note 6.

## NOTE 10 – LEASES (cont.)

***WATER UTILITY AS LESSOR*** (cont.)

A summary of lease activities for December 31, 2021 follows:

| Lessee | Date of Inception | Final Maturity | Interest Rate | Receivable Balance 12/31/2022 | Deferred Inflow Balance 12/31/2022 |
|---|---|---|---|---|---|
| Verizon Wireless (Primeco) * | 6/1/1997 | 5/31/2027 | 0.935864% | $ 693,048 | $ 691,842 |
| New Cingular Wireless ATT Mobility * | 1/12/1998 | 1/11/2023 | 0.935864 | 725,162 | 709,627 |
| Sprint Spectrum LP * | 3/1/1998 | 2/28/2028 | 0.935864 | 724,032 | 713,160 |
| New Cingular Wireless PCS LLC | 4/1/2002 | 3/31/2022 | 0.935864 | - | 9,651 |
| New Cingular Wireless PCS LLC | 7/1/2002 | 6/30/2022 | 0.935864 | - | 16,586 |
| Sprint Spectrum LP | 6/1/2004 | 5/31/2024 | 0.935864 | 90,135 | 105,498 |
| Verizon Wireless Personal Communications LP | 10/10/2016 | 10/9/2026 | 0.935864 | 559,378 | 570,514 |
| New Cingular Wireless PCS LLC | 12/5/2021 | 12/4/2031 | 2.813855 | 667,642 | 698,288 |
| | | | | $ 3,459,397 | $ 3,515,166 |

*There is a related liability with Dane County related to these lease agreements as discussed in Note 6.

The utility recognized $319,197 and $202,667 of lease revenue as of December 31, 2022 and 2021, respectively.

The utility recognized $66,903 and $28,185 of interest revenue as of December 31, 2022 and 2021, respectively.

## NOTE 11 – COMMITMENTS AND CONTINGENCIES

### *CLAIMS AND JUDGMENTS*

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

### *OPEN CONTRACTS*

The utility has construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2022 and 2021 has been accrued in these financial statements.

## NOTE 12 – SUBSEQUENT EVENTS

The utility submitted rate case 3280-WR-116 to the Wisconsin Public Service Commission (PSC) on November 30, 2021. The new rates were approved by the PSC on December 29, 2022 and went into effect on March 1, 2023 for an overall average increase of 18.22%. The rates were designed to include $5,000,000 for cash funding for main replacement projects and $148,714 (two year average) cost for a first ever Customer Assistance Program for low-income residential customers.

# 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, 2022

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

| Fiscal Year Ending | City's Proportion of the Net Pension Liability (Asset) | Utility's Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Asset |
|---|---|---|---|---|---|
| 12/31/22 | 1.82854% | $ (4,074,884) | $ 8,744,178 | 46.60% | 106.02% |
| 12/31/21 | 1.80992% | (3,317,731) | 9,215,274 | 36.00% | 105.26% |
| 12/31/20 | 1.78515% | (1,803,263) | 9,089,634 | 19.84% | 102.96% |
| 12/31/19 | 1.74728% | 2,015,781 | 8,837,448 | 22.81% | 96.45% |
| 12/31/18 | 1.68891% | (1,594,540) | 8,270,529 | 19.28% | 102.93% |
| 12/31/17 | 1.62005% | 438,906 | 7,895,803 | 5.56% | 99.12% |
| 12/31/16 | 1.58205% | 880,490 | 7,765,706 | 11.34% | 98.20% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2022

| 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 |
|---|---|---|---|---|---|
| 12/31/22 | $ 591,424 | $ 591,424 | $ - | $ 9,098,831 | 6.50% |
| 12/31/21 | 590,232 | 590,232 | - | 8,744,178 | 6.75% |
| 12/31/20 | 622,031 | 622,031 | - | 9,215,274 | 6.75% |
| 12/31/19 | 595,371 | 595,371 | - | 9,089,634 | 6.55% |
| 12/31/18 | 592,109 | 592,109 | - | 8,837,448 | 6.70% |
| 12/31/17 | 562,396 | 562,396 | - | 8,270,529 | 6.80% |
| 12/31/16 | 521,123 | 521,123 | - | 7,895,803 | 6.60% |
| 12/31/15 | 528,068 | 528,068 | - | 7,765,706 | 6.80% |

# MADISON WATER UTILITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2022

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

*Changes of assumptions* .

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

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) *

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Total OPEB Liability** | | | |
| Allocation changes | $ 84,861 | $ (67,393) | $ (98,467) |
| Service Cost | 234,723 | 230,069 | 178,623 |
| Interest on Total OPEB Liability | 73,513 | 65,889 | 88,516 |
| Changes in benefits terms | 11,644 | - | (2,792) |
| Difference between expected and actual experience | (358,458) | (68,576) | (142,947) |
| Changes in assumptions | (392,615) | (31,930) | 409,586 |
| Employee Contributions | - | - | - |
| Benefit payments, including employee refunds | (136,022) | (115,485) | (128,683) |
| Administrative expense | - | - | - |
| **Net Change in total OPEB Liability** | (482,354) | 12,574 | 303,836 |
| **Total OPEB Liability - Beginning** | 3,015,304 | 3,002,730 | 2,698,894 |
| **Total OPEB Liability - Ending** | $ 2,532,950 | $ 3,015,304 | $ 3,002,730 |
| **Covered-employee payroll** | $ 8,472,381 | $ 7,953,849 | $ 7,573,090 |
| **Total OPEB liability as a percentage of covered-employee payroll** | 29.90% | 37.91% | 39.65% |

**Notes to OPEB Schedule:**

Changes in Assumptions

*Changes in assumptions:*
*Discount Rate* - The discount rate has been updated from 2.25% to 4.31% in the December 31, 2022 valuation.
*Health Care and Subsidy Trend Rates* - No change in the health care and subsidy trend rates - an initial rate of 7.50% decreasing by 0.05% annually to an ultimate rate of 4.50% for the December 31, 2022 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.

## SUPPLEMENTARY INFORMATION

## MADISON WATER UTILITY

REVENUE AND GENERAL OBLIGATION BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES
As of December 31, 2022

| Year | 2015 Revenue Bonds Principal | 2015 Revenue Bonds Interest | 2015 Revenue Bonds Total | 2016A Revenue Bonds Principal | 2016A Revenue Bonds Interest | 2016A Revenue Bonds Total | 2016B Revenue Bonds Principal | 2016B Revenue Bonds Interest | 2016B Revenue Bonds Total |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | $ 1,785,000 | $ 1,051,079 | $ 2,836,079 | $ 930,000 | $ 839,650 | $ 1,769,650 | $ 1,270,000 | $ 401,500 | $ 1,671,500 |
| 2024 | 1,855,000 | 960,079 | 2,815,079 | 980,000 | 791,900 | 1,771,900 | 1,340,000 | 336,250 | 1,676,250 |
| 2025 | 1,930,000 | 865,454 | 2,795,454 | 1,025,000 | 741,775 | 1,766,775 | 1,405,000 | 267,625 | 1,672,625 |
| 2026 | 2,005,000 | 787,129 | 2,792,129 | 1,080,000 | 689,150 | 1,769,150 | 1,475,000 | 195,625 | 1,670,625 |
| 2027 | 2,090,000 | 725,704 | 2,815,704 | 1,135,000 | 633,775 | 1,768,775 | 1,550,000 | 120,000 | 1,670,000 |
| 2028 | 2,170,000 | 663,431 | 2,833,431 | 1,190,000 | 575,650 | 1,765,650 | 1,625,000 | 40,625 | 1,665,625 |
| 2029 | 2,235,000 | 598,983 | 2,833,983 | 1,250,000 | 514,650 | 1,764,650 | - | - | - |
| 2030 | 2,305,000 | 529,731 | 2,834,731 | 1,310,000 | 457,200 | 1,767,200 | - | - | - |
| 2031 | 2,380,000 | 455,924 | 2,835,924 | 1,365,000 | 403,700 | 1,768,700 | - | - | - |
| 2032 | 2,460,000 | 379,406 | 2,839,406 | 1,420,000 | 348,000 | 1,768,000 | - | - | - |
| 2033 | 2,540,000 | 301,281 | 2,841,281 | 1,475,000 | 290,100 | 1,765,100 | - | - | - |
| 2034 | 2,625,000 | 220,578 | 2,845,578 | 1,535,000 | 229,900 | 1,764,900 | - | - | - |
| 2035 | 2,715,000 | 135,444 | 2,850,444 | 1,595,000 | 167,300 | 1,762,300 | - | - | - |
| 2036 | 2,810,000 | 45,661 | 2,855,661 | 1,660,000 | 102,200 | 1,762,200 | - | - | - |
| 2037 | - | - | - | 1,725,000 | 34,500 | 1,759,500 | - | - | - |
| Totals | $ 31,905,000 | $ 7,719,884 | $ 39,624,884 | $ 19,675,000 | $ 6,819,450 | $ 26,494,450 | $ 8,665,000 | $ 1,361,625 | $ 10,026,625 |

| Year | 2018A Revenue Bonds Principal | 2018A Revenue Bonds Interest | 2018A Revenue Bonds Total | 2018B Taxable Revenue Bonds (Operating) Principal | 2018B Taxable Revenue Bonds (Operating) Interest | 2018B Taxable Revenue Bonds (Operating) Total | 2019A Refunding Bonds Principal | 2019A Refunding Bonds Interest | 2019A Refunding Bonds Total |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | $ 1,165,000 | $ 1,079,500 | $ 2,244,500 | $ 1,005,000 | $ 204,301 | $ 1,209,301 | $ 3,430,000 | $ 1,128,750 | $ 4,558,750 |
| 2024 | 1,210,000 | 1,032,000 | 2,242,000 | 1,040,000 | 171,832 | 1,211,832 | 3,395,000 | 1,009,050 | 4,404,050 |
| 2025 | 1,260,000 | 982,600 | 2,242,600 | 1,070,000 | 137,537 | 1,207,537 | 3,320,000 | 892,100 | 4,212,100 |
| 2026 | 1,310,000 | 931,200 | 2,241,200 | 1,110,000 | 101,012 | 1,211,012 | 3,440,000 | 723,100 | 4,163,100 |
| 2027 | 1,360,000 | 877,800 | 2,237,800 | 1,145,000 | 62,105 | 1,207,105 | 3,120,000 | 559,100 | 3,679,100 |
| 2028 | 1,415,000 | 822,300 | 2,237,300 | 1,185,000 | 21,034 | 1,206,034 | 3,280,000 | 399,100 | 3,679,100 |
| 2029 | 1,470,000 | 764,600 | 2,234,600 | - | - | - | 5,515,000 | 206,800 | 5,721,800 |
| 2030 | 1,530,000 | 704,600 | 2,234,600 | - | - | - | 4,045,000 | 56,050 | 4,101,050 |
| 2031 | 1,595,000 | 642,100 | 2,237,100 | - | - | - | 780,000 | 7,800 | 787,800 |
| 2032 | 1,655,000 | 577,100 | 2,232,100 | - | - | - | - | - | - |
| 2033 | 1,720,000 | 509,600 | 2,229,600 | - | - | - | - | - | - |
| 2034 | 1,790,000 | 439,400 | 2,229,400 | - | - | - | - | - | - |
| 2035 | 1,865,000 | 366,300 | 2,231,300 | - | - | - | - | - | - |
| 2036 | 1,935,000 | 290,300 | 2,225,300 | - | - | - | - | - | - |
| 2037 | 2,015,000 | 211,300 | 2,226,300 | - | - | - | - | - | - |
| 2038 | 2,095,000 | 129,100 | 2,224,100 | - | - | - | - | - | - |
| 2039 | 2,180,000 | 43,600 | 2,223,600 | - | - | - | - | - | - |
| Totals | $ 27,570,000 | $ 10,403,400 | $ 37,973,400 | $ 6,555,000 | $ 697,821 | $ 7,252,821 | $ 30,325,000 | $ 4,981,850 | $ 35,306,850 |

## MADISON WATER UTILITY

REVENUE AND GENERAL OBLIGATION BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES
As of December 31, 2022

| Year | 2019B Refunding Bonds Principal | 2019B Refunding Bonds Interest | 2019B Refunding Bonds Total | 2019 Bond Anticipation Notes Principal | 2019 Bond Anticipation Notes Interest | 2019 Bond Anticipation Notes Total | TOTAL (All Revenue Debt) Principal | TOTAL (All Revenue Debt) Interest | TOTAL (All Revenue Debt) Total |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | $ 990,000 | $ 241,212 | $ 1,231,212 | $ - | $ 300,000 | $ 300,000 | $ 10,575,000 | $ 5,245,992 | $ 15,820,992 |
| 2024 | 1,015,000 | 222,412 | 1,237,412 | 20,000,000 | 300,000 | 20,300,000 | 30,835,000 | 4,823,523 | 35,658,523 |
| 2025 | 1,040,000 | 202,370 | 1,242,370 | - | - | - | 11,050,000 | 4,089,461 | 15,139,461 |
| 2026 | 1,065,000 | 180,788 | 1,245,788 | - | - | - | 11,485,000 | 3,608,004 | 15,093,004 |
| 2027 | 1,090,000 | 157,615 | 1,247,615 | - | - | - | 11,490,000 | 3,136,099 | 14,626,099 |
| 2028 | 1,120,000 | 133,025 | 1,253,025 | - | - | - | 11,985,000 | 2,655,165 | 14,640,165 |
| 2029 | 1,150,000 | 106,912 | 1,256,912 | - | - | - | 11,620,000 | 2,191,945 | 13,811,945 |
| 2030 | 1,185,000 | 78,884 | 1,263,884 | - | - | - | 10,375,000 | 1,826,465 | 12,201,465 |
| 2031 | 1,220,000 | 48,813 | 1,268,813 | - | - | - | 7,340,000 | 1,558,337 | 8,898,337 |
| 2032 | 1,255,000 | 16,629 | 1,271,629 | - | - | - | 6,790,000 | 1,321,135 | 8,111,135 |
| 2033 | - | - | - | - | - | - | 5,735,000 | 1,100,981 | 6,835,981 |
| 2034 | - | - | - | - | - | - | 5,950,000 | 889,878 | 6,839,878 |
| 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 | $ 11,130,000 | $ 1,388,660 | $ 12,518,660 | $ 20,000,000 | $ 600,000 | $ 20,600,000 | $ 155,825,000 | $ 33,972,690 | $ 189,797,690 |

| Year | 2022 General Obligation Bonds Principal | 2022 General Obligation Bonds Interest | 2022 General Obligation Bonds Total | TOTAL (All General Obligation Debt) Principal | TOTAL (All General Obligation Debt) Interest | TOTAL (All General Obligation Debt) Total |
|---|---|---|---|---|---|---|
| 2023 | $ 1,690,000 | $ 1,047,447 | $ 2,737,447 | $ 1,690,000 | $ 1,047,447 | $ 2,737,447 |
| 2024 | 1,730,000 | 977,700 | 2,707,700 | 1,730,000 | 977,700 | 2,707,700 |
| 2025 | 1,805,000 | 891,200 | 2,696,200 | 1,805,000 | 891,200 | 2,696,200 |
| 2026 | 1,895,000 | 800,950 | 2,695,950 | 1,895,000 | 800,950 | 2,695,950 |
| 2027 | 1,985,000 | 706,200 | 2,691,200 | 1,985,000 | 706,200 | 2,691,200 |
| 2028 | 2,080,000 | 606,950 | 2,686,950 | 2,080,000 | 606,950 | 2,686,950 |
| 2029 | 2,180,000 | 502,950 | 2,682,950 | 2,180,000 | 502,950 | 2,682,950 |
| 2030 | 2,300,000 | 393,950 | 2,693,950 | 2,300,000 | 393,950 | 2,693,950 |
| 2031 | 2,415,000 | 278,950 | 2,693,950 | 2,415,000 | 278,950 | 2,693,950 |
| 2032 | 2,540,000 | 158,200 | 2,698,200 | 2,540,000 | 158,200 | 2,698,200 |
| 2033 | 1,415,000 | 56,600 | 1,471,600 | 1,415,000 | 56,600 | 1,471,600 |
| 2034 | - | - | - | - | - | - |
| Totals | $ 22,035,000 | $ 6,421,097 | $ 28,456,097 | $ 22,035,000 | $ 6,421,097 | $ 28,456,097 |

## MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES
For the Years Ended December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Unmetered Sales | $ 414,271 | $ 374,588 |
| Metered Sales | | |
| Residential | 20,465,839 | 21,555,254 |
| Duplex | 819,138 | 804,490 |
| Multi-Family | 9,356,211 | 9,125,543 |
| Commercial | 8,401,264 | 8,276,635 |
| Industrial | 992,148 | 1,070,622 |
| Public authority | 6,123,855 | 5,357,024 |
| Sales for resale | 416,957 | 454,069 |
| Total Metered Sales | 46,575,412 | 46,643,637 |
| Public Fire Protection | 124,266 | 131,167 |
| Total Sales of Water | 47,113,949 | 47,149,392 |
| Customer Late Payment Penalties | 200,945 | 206,653 |
| Miscellaneous | 65,313 | 74,018 |
| Rents from water property | 375,103 | 276,255 |
| Other | 384,633 | 384,514 |
| Total Operating Revenues | 48,139,943 | 48,090,832 |
| **OPERATING EXPENSES** | | |
| Operation and Maintenance | | |
| Source of Supply | | |
| Maintenance | | |
| Supervision and engineering | 13,874 | 54,585 |
| Collecting and impounding reservoirs | 56,736 | 22,933 |
| Wells and springs | 99,182 | 26,653 |
| Total Source of Supply | 169,792 | 104,171 |
| Pumping | | |
| Operation supervision and engineering | 51,175 | 48,509 |
| Power purchased for pumping | 2,095,612 | 1,911,631 |
| Pumping labor | 437,020 | 544,946 |
| Miscellaneous | 431,234 | 498,642 |
| Maintenance | | |
| Supervision and engineering | 201,087 | 183,067 |
| Structures and improvements | 519,901 | 344,735 |
| Pumping equipment | 466,512 | 419,200 |
| Total Pumping | 4,202,541 | 3,950,730 |
| Water Treatment | | |
| Operation supervision and engineering | 133,521 | 97,592 |
| Chemicals | 167,748 | 124,195 |
| Operation labor | 259,787 | 224,299 |
| Miscellaneous | 83,578 | 83,467 |
| Maintenance | | |
| Supervision and engineering | 13,874 | 15,945 |
| Water treatment equipment | 112,119 | 173,527 |
| Total Water Treatment | 770,627 | 719,025 |

# MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES (cont.)
For the Years Ended December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|---|---|---|
| **OPERATING EXPENSES** (cont.) | | |
| Operation and Maintenance (cont.) | | |
| Transmission and Distribution | | |
| Operation supervision and engineering | $ 292,009 | $ 272,289 |
| Storage facilities | 99,317 | 109,606 |
| Transmission and distribution lines | 405,691 | 335,781 |
| Meter | 158,883 | 106,291 |
| Customer installation | 435,112 | 379,512 |
| Miscellaneous | 1,606,752 | 1,438,366 |
| Maintenance | | |
| Reservoirs | 63,491 | 51,431 |
| Mains | 2,257,263 | 1,891,484 |
| Services | 1,227,719 | 1,173,366 |
| Meters | 104,144 | 134,600 |
| Hydrants | 336,154 | 338,937 |
| Total Transmission and Distribution | 6,986,535 | 6,231,663 |
| Customer Accounts | | |
| Supervision | 19,678 | 14,657 |
| Meter reading | 63,902 | 94,526 |
| Customer records and collection | 577,056 | 452,851 |
| Conservation | 158,819 | 199,304 |
| Total Customer Accounts | 819,455 | 761,338 |
| Administrative and General | | |
| Salaries | 1,054,323 | 959,093 |
| Office, building, and supplies | 442,830 | 988,851 |
| Outside services employed | 692,475 | 102,577 |
| Property insurance | 549 | 45,691 |
| Injuries and damages | 328,199 | 299,542 |
| Employee pensions and benefits | 1,354,908 | 1,047,692 |
| Miscellaneous | 151,126 | 122,395 |
| Maintenance of general plant | 3,528 | 3,784 |
| Total Administrative and General | 4,027,938 | 3,569,625 |
| Total Operation and Maintenance | 16,976,888 | 15,336,552 |
| Depreciation | 8,462,252 | 8,377,801 |
| Taxes | 629,228 | 590,905 |
| Total Operating Expenses | 26,068,368 | 24,305,258 |
| OPERATING INCOME | $ 22,071,575 | $ 23,785,574 |