# 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, 2025 and 2024

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

TABLE OF CONTENTS
As of and for the Years Ended December 31, 2025 and 2024

# 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, 2025 and 2024, 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, 2025 and 2024, 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 Matter**

As discussed in Note 1, the financial statements of the Utility are intended to present the financial position, the changes in financial position, and cash flows of only the Utility. They do not purport to, and do not, present fairly the financial position of the City of Madison as of December 31, 2025, and 2024, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

**Required Supplementary Information**

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

**Supplementary Information**

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

Baker Tilly US, LLP

Madison, Wisconsin
June 24, 2026

# MANAGEMENT’S DISCUSSION AND ANALYSIS

# MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025 and 2024

## GENERAL INFORMATION ABOUT MADISON WATER UTILITY

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

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

## 2025 FINANCIAL HIGHLIGHTS

> Total operating revenues increased $155,000 or 0.3% from 2024 to 2025, and pumpage decreased 1.7% for that same period.

> Income before capital contributions and transfers increased $1.3 million or 4.4% from the prior year. The increase was mainly due to an increase of non-operating income from PFAS settlement of $5.3 million offset with an increase in operating and maintenance expense of $2.2 million and $2.8 million of depreciation expense.

> Capital assets increased by $12.1 million in 2025, which were financed with 2024 GO debt, Safe Drinking Water Loan (SDWL) and reserves.

> Additional reimbursement for Safe Drinking Water Loan approved for $1.6 million via the DNR to fund UW 15 PFAS removal.

## 2024 FINANCIAL HIGHLIGHTS

> Total operating revenues decreased $1,153,000 or 2.0% from 2023 to 2024, and pumpage decreased 1.9% for that same period.

> Income before capital contributions and transfers increased $3.1 million or 12.3% from the prior year. The increase was due largely to a decrease of $4.2 million in depreciation expense and a $1.2 million decrease in operating revenues.

> Capital assets increased by $13.8 million in 2024, which were financed with the issuance of 2019 Bond Anticipation Notes (BANs), 2024 GO debt, Safe Drinking Water Loan (SDWL) and reserves.

> Safe Drinking Water Loan approved for $3.4 million via the DNR to partially redeem 2019 BANs.

> Safe Drinking Water Loan approved for $2.9 million via the DNR to fund UW 15 PFAS removal.

> Issued $7.3 million GO Bonds to fund UW 19 Iron and Manganese Filter.

## RATES

Current rates became effective March 1, 2023. The Utility filed an application to review rates with the Public Service Commission of Wisconsin on December 16, 2024 which was approved effective May 1, 2026. The rate order for the most recent case was issued on December 29, 2022. The utility is currently ranked eighth for residential rates out of eighty-five utilities classified as AB (over 4,000 customers) in Wisconsin.

## UTILITY FINANCIAL ANALYSIS

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

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

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

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Current and Other Assets | $ 76,530 | $ 75,931 | $ 77,074 |
| Capital Assets | 325,982 | 313,878 | 305,075 |
| Total Assets | 402,512 | 389,809 | 382,149 |
| Deferred Outflows of Resources | 6,051 | 7,848 | 11,146 |
| Current Liabilities | 19,375 | 19,499 | 33,869 |
| Long-term Debt Outstanding | 122,445 | 135,282 | 137,515 |
| Long-term Liabilities | 14,013 | 14,889 | 18,456 |
| Total Liabilities | 155,833 | 169,670 | 189,840 |
| Deferred Inflows of Resources | 8,519 | 10,356 | 12,315 |
| Net Investment in Capital Assets | 192,456 | 175,187 | 145,480 |
| Restricted | 19,224 | 18,895 | 17,941 |
| Unrestricted | 32,531 | 23,549 | 27,719 |
| Total Net Position | $ 244,211 | $ 217,631 | $ 191,140 |

## **UTILITY FINANCIAL ANALYSIS** (cont.)

In 2025, total assets combined with deferred outflows of resources increased $10.9 million and total liabilities with deferred inflows of resources decreased $15.7 million, resulting in an increase in net position of $26.6 million from 2024. The change was primarily due to an increase of $7.1 million in cash and investments, $12 million increase in capital assets follow by a decrease of $12.8 million in debt and $1.8 million decrease in deferred inflows of resources.

In 2024, total assets combined with deferred outflows of resources increased $4.4 million and total liabilities with deferred inflows of resources decreased $22.1 million, resulting in an increase in net position of $26.5 million from 2023. The change was primarily due to a decrease of $16.5 million in debt, a $1.9 million decrease in net pension liability, a $2.0 million decrease in deferred inflows of resources and a $6.1 million decrease in cash and investments.

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

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Operating Revenues | $ 56,798 | $ 56,643 | $ 57,796 |
| Non-operating Revenues | 7,886 | 2,193 | 3,191 |
| Total Revenues | 64,684 | 58,836 | 60,987 |
| Operation & Maintenance Expense | 21,091 | 18,939 | 19,609 |
| Depreciation Expense | 9,389 | 6,638 | 10,813 |
| Non-operating Expense | 4,439 | 4,801 | 5,283 |
| Total Expense | 34,919 | 30,378 | 35,705 |
| Income Before Capital Contributions and Transfers | 29,765 | 28,458 | 25,282 |
| Capital Contributions | 3,705 | 4,435 | 4,390 |
| Transfers, net | (6,890) | (6,402) | (6,307) |
| Change in Net Position | 26,580 | 26,491 | 23,365 |
| Beginning Net Position | 217,631 | 191,140 | 167,775 |
| Ending Net Assets | $ 244,211 | $ 217,631 | $ 191,140 |

## UTILITY FINANCIAL ANALYSIS (cont.)

The Utility's total revenues increased $155,000 or 0.3% from 2024 to 2025. Pumpage also decreased 1.7% from 2025 to 2024. The Utility's total revenue decreased $1.2 million or 2.0% from 2023 to 2024 as a result of a 1.9% decrease in pumpage.

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

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Unmetered Sales | $ 277 | $ 333 | $ 541 |
| Metered Sales | | | |
| Residential | 23,184 | 23,020 | 24,001 |
| Duplex | 878 | 886 | 917 |
| Multi-Family | 11,489 | 11,319 | 11,065 |
| Commercial | 10,978 | 10,768 | 10,836 |
| Industrial | 1,157 | 1,107 | 1,135 |
| Public authorities | 7,107 | 7,448 | 7,490 |
| Sales for resale | 571 | 574 | 600 |
| Total Metered Sales | 55,364 | 55,122 | 56,044 |
| Public fire protection | 119 | 119 | 124 |
| Total Sales of Water | 55,760 | 55,574 | 56,709 |
| Customer Late Payment Penalties | 288 | 294 | 286 |
| Miscellaneous | 67 | 64 | 68 |
| Rents from Water Property | 371 | 393 | 399 |
| Other | 312 | 318 | 334 |
| Total Operating Revenues | 56,798 | 56,643 | 57,796 |
| **OPERATING EXPENSES** | | | |
| Source of Supply | 87 | 181 | 61 |
| Pumping | 4,647 | 4,868 | 4,679 |
| Water Treatment | 1,010 | 917 | 936 |
| Transmission and Distribution | 8,259 | 7,203 | 7,135 |
| Customer Accounts | 530 | 457 | 659 |
| Administrative and General | 5,802 | 4,576 | 5,484 |
| Total Operation and Maintenance | 20,335 | 18,202 | 18,954 |
| Depreciation | 9,389 | 6,638 | 10,813 |
| Taxes | 756 | 737 | 655 |
| Total Operating Expenses | 30,480 | 25,577 | 30,422 |
| OPERATING INCOME | $ 26,318 | $ 31,066 | $ 27,374 |

**UTILITY FINANCIAL ANALYSIS** (cont.)

***Revenues***

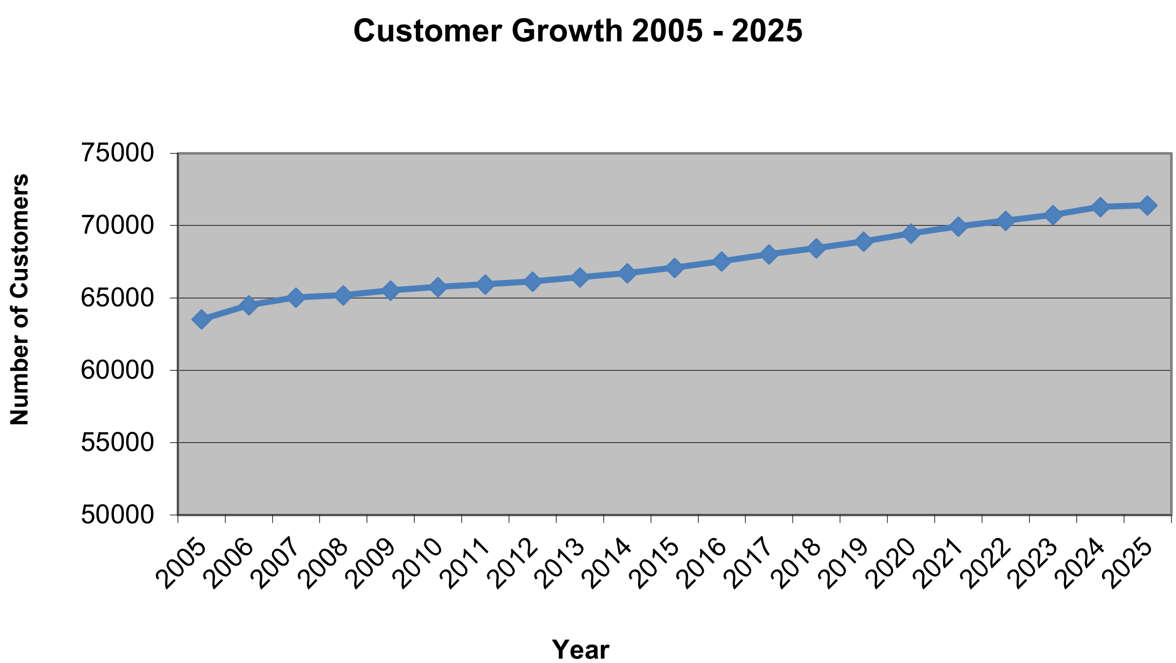
2025 total operating revenues of $56.8 million were similar to those of 2024 with a slight increase. Pumpage decreased by 1.7% in 2025 over 2024.

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

***Expenses***

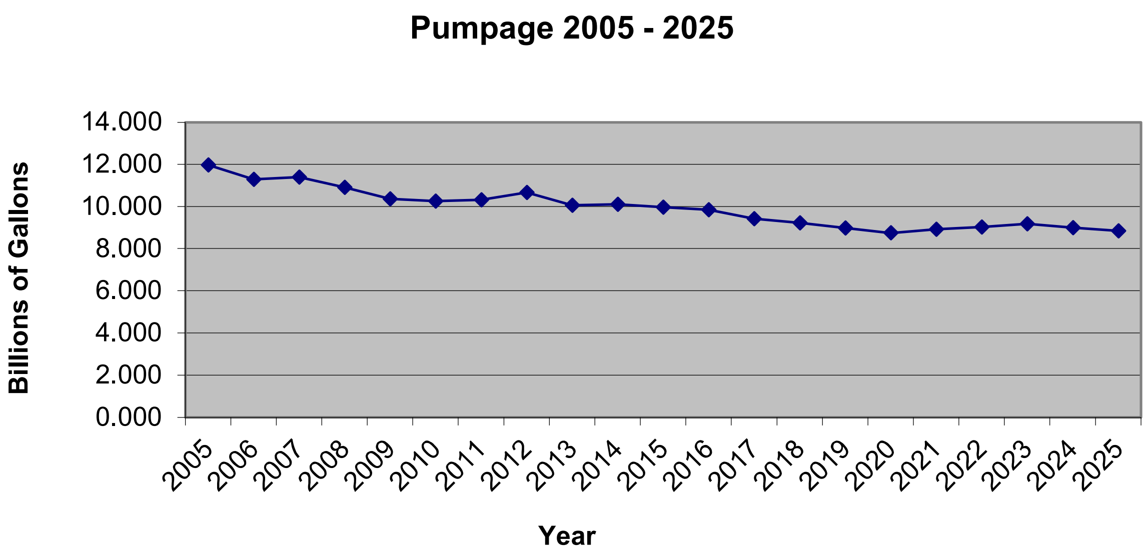
Operation and maintenance expenses (including taxes) totaled $21.0 million in 2025 compared to $19.0 million in 2024, an increase of $2.0 million or 10%. The increase is primarily due to transmission and distribution expenses along with an increase in employee pensions and benefits.

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




The Utility added 386 new customers in 2025 compared with 418, 499, 522 and 496 new customers added in 2024, 2023, 2022 and 2021, respectively. The Utility added the most new customers (1,442) in 2002.

## UTILITY FINANCIAL ANALYSIS (cont.)




Pumping for the year decreased 1.7% from 8.998 billion gallons in 2024 to 8.848 billion gallons in 2025 due to moderate weather conditions and continued water conservation efforts by customers.

## CAPITAL EXPENDITURES

The Utility added $21.3 million of plant in 2025. Of this amount, approximately $3.7 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2025 included: $9.0 million for new and replacement water mains, laterals, and hydrants, $7.1 million for pumping plant, general plant and telemetry equipment, $972,000 for vehicles, power equipment and tools, and $409,000 for our meter program.

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

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

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 or general obligation bonds. In 2025, the Utility received $1.6 million of the remaining 2024 SDWL with no other borrowing. In 2024, the Utility borrowed $7.3 million of general obligation bonds and received $6.3 million of SDWL. Of the $6.3 million SDWL, the Utility received $4.2 million in 2024. The Utility borrowed $4.7 million of revenue bonds in 2023, $20.3 million in general obligation bonds in 2022, $66.7 million of revenue bonds in 2019, $40.2 million of revenue bonds in 2018, $38.4 million of revenue bonds in 2016 and $41.6 million of revenue bonds in 2015. The 2024 borrowing was utilized for the UW 19 Iron and Manganese Filter, UW 15 PFAS and to partially redeem the $20 million BAN paid in full in May 2024. The 2023 SDWL borrowing was used to partially redeem the $20 million BAN in 2023. The 2022 borrowing was used to refund $29.4 million of 2012 and 2013 revenue bonds. The 2019 borrowing included $20 million of bond anticipation notes (BAN) to fund the remainder of the 2019 capital projects and all of 2020, 2021 and 2022 capital projects, $33.7 million to refund 2009A and 2010 bonds and $13.0 million to advance refund 2011 bonds.

Management envisions a reduction in their capital borrowing in order to improve the debt to equity ratio. With that in mind, the Utility included additional expense depreciation in its 2025 rate case filed with the PSCW on December 16, 2024. 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 PSCW previously approved expense depreciation of $5 million annually for the Utility in its rate order issued December 29, 2022, effective March 1, 2023 and $10 million annually for its most current rate order issued April 2, 2026. These funds may only be used for main replacement. The new rates are to be in effect on May 1, 2026.

## ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

Madison has a unique status in terms of economic stability, being both the state capital and home to the University of Wisconsin – Madison and its 51,000 students, versus the national economy. While customer growth has slowed, the Utility added a net 12.1 miles of water main in the last three years as its service area has grown. Growth entails the need for additional infrastructure while meeting the challenge of upkeep of current infrastructure. Management believes that future rate increases will ensure that the Utility is well prepared to handle these challenges. While rates are expected to increase over time, management works within the Water Utility Board Policy for affordability, O-2D, maintaining increases that do not exceed 9% annualized per year.

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

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

became effective on March 1, 2023. The program is a city-wide program being offered to Madison Municipal Services customers making less than or equal to 50% of the area median income for the Madison area calculated by the Department of Housing and Urban Development (HUD). The Utility included the Customer Assistance Program in the rate case filed on December 16, 2024 but was notified by the PSCW on April 2, 2026 to not extend the pilot program. The Utility will end the program for currently enrolled participants no later than three months from the effective date of the new rates, May 1, 2026.

The Utility experienced a significant decline in consumption starting in 2015 due to loss of industry, water conservation and changes in weather patterns. In 2025 and 2024, consumption was down 1.7% and 1.9% over 2024 and 2023. 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, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and investments | $ 30,415,802 | $ 23,344,072 |
| Restricted Assets | | |
| Principal and interest account | 13,407,103 | 13,217,358 |
| Customer accounts receivable | 3,586,849 | 3,870,874 |
| Prepaids | 228,049 | 280,543 |
| Materials and supplies | 1,961,846 | 2,038,848 |
| Due from municipality | 684,245 | 670,609 |
| Current portion of special assessments | 131,988 | 140,691 |
| Current portion of lease receivable | 194,761 | 204,799 |
| Current portion of PFAS receivable | 734,578 | - |
| Other current assets, net | 303,398 | 322,748 |
| Total Current Assets | 51,648,619 | 44,090,542 |
| **NONCURRENT ASSETS** | | |
| Restricted Assets | | |
| Reserve account | 10,776,708 | 11,707,128 |
| Depreciation account | 750,000 | 750,000 |
| Assessment account | 2,707,872 | 2,055,530 |
| Construction account | 881,492 | 7,492,361 |
| Expense depreciation account | 2,160,653 | 2,413,110 |
| Other Assets | | |
| Special assessments receivable (net of current portion) | 1,215,277 | 2,184,239 |
| Preliminary survey and investigation | 426,815 | 477,248 |
| Property held for future use | 23,612 | 112,429 |
| Nonutility property (net of accumulated depreciation) | 630,919 | 558,861 |
| Lease receivable (net of current portion) | 4,128,354 | 4,089,336 |
| PFAS receivable (net of current portion) | 1,179,068 | - |
| Capital Assets | | |
| Plant in service | 462,866,437 | 446,827,525 |
| Accumulated depreciation | (147,655,343) | (138,783,419) |
| Construction work in progress | 10,771,357 | 5,833,807 |
| Total Noncurrent Assets | 350,863,221 | 345,718,155 |
| Total Assets | 402,511,840 | 389,808,697 |
| ***DEFERRED OUTFLOWS OF RESOURCES*** | | |
| Unamortized loss on refunding | 264,650 | 342,770 |
| Deferred outflows related to pension | 5,348,326 | 7,131,202 |
| Deferred outflows related to OPEB | 437,598 | 374,089 |
| Total Deferred Outflows of Resources | 6,050,574 | 7,848,061 |
| | 408,562,414 | 397,656,758 |

| | 2025 | 2024 |
|---|---|---|
| ***LIABILITIES*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 559,648 | $ 1,359,091 |
| Other current liabilities | 2,090,185 | 1,997,611 |
| Current portion of general obligation debt | 2,488,727 | 2,398,727 |
| Current portion of other liability | 45,832 | 54,439 |
| Current portion of SBITA liability | 184,913 | 110,866 |
| Total OPEB liability | 121,079 | - |
| Current Liabilities Payable From Restricted Assets | | |
| Current portion of revenue bonds | 11,927,314 | 11,380,217 |
| Accrued interest | 1,957,783 | 2,198,506 |
| Total Current Liabilities | 19,375,481 | 19,499,457 |
| **NONCURRENT LIABILITIES** | | |
| Revenue bonds | 101,389,386 | 111,737,860 |
| Unamortized debt premium | 7,484,131 | 8,587,247 |
| Accrued sick leave | 1,711,362 | 1,809,372 |
| Total OPEB liability | 2,808,875 | 2,662,733 |
| General obligation debt | 21,055,546 | 23,544,273 |
| Other liability (net of current portion) | 971,217 | 900,160 |
| SBITA liability (net of current portion) | 79,279 | 118,874 |
| Customer advances for construction | 143,591 | 90,894 |
| Net pension liability | 814,016 | 718,417 |
| Total Noncurrent Liabilities | 136,457,403 | 150,169,830 |
| Total Liabilities | 155,832,884 | 169,669,287 |
| ***DEFERRED INFLOWS OF RESOURCES*** | | |
| Unamortized gain on refunding | 1,107,169 | 1,252,729 |
| Deferred inflows related to OPEB's | 446,580 | 615,257 |
| Deferred inflows related to pension | 2,903,981 | 4,437,038 |
| Deferred inflows related to leases | 4,060,839 | 4,051,019 |
| Total Deferred Inflows of Resources | 8,518,569 | 10,356,043 |
| ***NET POSITION*** | | |
| Net investment in capital assets | 192,456,490 | 175,187,222 |
| Restricted for: | | |
| Debt service | 13,604,617 | 13,676,410 |
| Capital repairs and replacement | 5,618,525 | 5,218,640 |
| Unrestricted | 32,531,329 | 23,549,156 |
| **TOTAL NET POSITION** | $ 244,210,961 | $ 217,631,428 |

# MADISON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Sales of water | $ 55,759,968 | $ 55,574,220 |
| Other | 1,038,092 | 1,068,854 |
| Total Operating Revenues | 56,798,060 | 56,643,074 |
| **OPERATING EXPENSES** | | |
| Operation and maintenance | 21,090,503 | 18,938,981 |
| Depreciation | 9,389,163 | 6,638,329 |
| Total Operating Expenses | 30,479,666 | 25,577,310 |
| Operating Income | 26,318,394 | 31,065,764 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Merchandising and jobbing | (64,098) | (69,552) |
| Bond issuance costs | (5,456) | (29,500) |
| Investment income (loss) | 2,722,312 | 2,192,829 |
| Interest and amortization expense | (4,369,802) | (4,701,368) |
| PFAS settlement proceeds | 5,163,822 | - |
| Total Nonoperating Revenues (Expenses) | 3,446,778 | (2,607,591) |
| Income before capital contributions and transfers | 29,765,172 | 28,458,173 |
| **CAPITAL CONTRIBUTIONS** | 3,705,201 | 4,435,429 |
| **TRANSFERS IN / (OUT)** | 173,048 | 155,503 |
| **TRANSFERS - TAX EQUIVALENT** | (7,163,544) | (6,626,591) |
| **CAPITALIZED TAX EQUIVALENT** | 99,656 | 69,205 |
| **Change in Net Position** | 26,579,533 | 26,491,719 |
| NET POSITION - Beginning of Year | 217,631,428 | 191,139,709 |
| **NET POSITION - END OF YEAR** | $ 244,210,961 | $ 217,631,428 |

# MADISON WATER UTILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Received from customers | $ 57,488,447 | $ 57,173,847 |
| Paid to suppliers for goods and services | (11,521,640) | (10,519,183) |
| Paid to employees for services | (9,132,761) | (8,373,278) |
| Net Cash Flows from Operating Activities | 36,834,046 | 38,281,386 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Transfers - paid to municipality for tax equivalent | (7,063,888) | (6,557,386) |
| Principal paid on operating loan | (1,070,000) | (1,040,000) |
| Interest paid on operating loan | (137,538) | (171,833) |
| PFAS settlement funds received | 3,249,857 | - |
| Repayment of advances from other funds | - | (161,533) |
| Interest paid on advances and loans from other funds | - | (760) |
| Transfers from (to) other funds | 173,048 | 155,503 |
| Net Cash Flows from Noncapital Financing Activities | (4,848,521) | (7,776,009) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Acquisition and construction of capital assets | (18,484,293) | (12,477,851) |
| Special assessments received | 656,604 | 213,221 |
| Contributions in aid of construction (advances refunded) | 52,697 | (3,342) |
| Debt issued - new revenue bonds | 1,578,840 | 4,217,722 |
| Debt issued - refunded bonds | - | 7,328,000 |
| Debt issuance costs | (5,456) | (29,500) |
| Net interest and amortization on leases | (10,748) | (9,204) |
| Net interest and amortization on SBITA | (181,652) | (171,742) |
| Debt retired | (12,708,944) | (27,039,645) |
| Interest paid | (5,382,604) | (5,626,722) |
| Net Cash Flows from Capital and Related Financing Activities | (34,485,556) | (33,599,063) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Marketable securities purchased | (4,075,628) | (3,055,420) |
| Marketable securities sold | 3,717,943 | 2,732,232 |
| Investment income | 2,620,101 | 2,111,799 |
| Net Cash Flows from Investing Activities | 2,262,416 | 1,788,611 |
| **Net Change in Cash and Cash Equivalents** | (237,615) | (1,305,075) |
| CASH AND CASH EQUIVALENTS – Beginning of Year | 50,346,316 | 51,651,391 |
| **CASH AND CASH EQUIVALENTS – END OF YEAR** | $ 50,108,701 | $ 50,346,316 |

| | 2025 | 2024 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Operating income | $ 26,318,394 | $ 31,065,764 |
| Nonoperating income | 1,849,867 | (69,552) |
| Noncash items included in operating income | | |
| Depreciation | 9,389,163 | 6,638,329 |
| Depreciation charged to other accounts | 1,158,202 | 1,110,008 |
| Changes in Assets and Liabilities | | |
| Customer accounts receivable | 284,025 | (242,506) |
| Receivable from other funds | (13,636) | 183,936 |
| Materials and supplies | 77,002 | (556,685) |
| Other current assets | (1,808,130) | 162,629 |
| Accounts payable and other current liabilities | (596,640) | 901,902 |
| Other postemployment benefit deferrals and liabilities | 35,035 | (206,580) |
| Pension related deferrals and liabilities | 345,418 | (336,691) |
| Accrued compensated absences | (204,654) | (369,168) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | $ 36,834,046 | $ 38,281,386 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS** | | |
| Cash and investments | $ 30,415,802 | $ 23,344,072 |
| Redemption account | 13,407,103 | 13,217,358 |
| Reserve account | 10,776,708 | 11,707,128 |
| Depreciation account | 750,000 | 750,000 |
| Assessment account | 2,707,872 | 2,055,530 |
| Construction account | 881,492 | 7,492,361 |
| Expense Depreciation account | 2,160,653 | 2,413,110 |
| Total Cash and Investments | 61,099,630 | 60,979,559 |
| Less: Noncash equivalents | (10,990,929) | (10,633,243) |
| **CASH AND CASH EQUIVALENTS** | $ 50,108,701 | $ 50,346,316 |
| **NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES** | | |
| Municipality, customer and developer financed additions to utility plant | $ 3,705,201 | $ 4,435,429 |
| Capital additions assessed to customers | $ 332,607 | $ 661,483 |
| Adjustments to special assessments | $ (653,666) | $ (993,193) |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### *Reporting Entity*

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

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

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

### *Measurement Focus, Basis of Accounting and Basis of Presentation*

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

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

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.

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

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

#### *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.

#### *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.

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 2025 and 2024.

#### *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.

#### *Polyfluoroalkyl Substances (PFAS)*

During 2025, the Utility recognized a receivable related to polyfluoroalkyl substances (PFAS) claims associated with a settlement agreement. The receivable represents amounts expected to be collected in connection with related costs and/or damages. As of 2025, the Utility received $3,249,857 and recorded a total PFAS-related receivable of $1,913,646 of which $734,578 is classified as current and $1,179,068 is noncurrent based on the expected timing of collection. The Utility considered the terms of the arrangement and collectability in determining the recorded amounts and will adjust the receivable as necessary as additional information becomes available.

#### *Other Current Assets*

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

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

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

#### *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.

#### *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.

#### *Non-utility 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.

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

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

#### *Capital Assets (cont.)*

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 |

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

#### *Deferred Outflows of Resources*

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

#### *Other Current Liabilities*

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

#### *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.

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

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

***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 refunds 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 non-cancellable leases.

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

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

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

## 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.

### *Subscription-Based Information Technology Arrangements*

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

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

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

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

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

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

#### *Total OPEB Liability*

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

#### *Deferred Inflows of Resources*

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

### *REVENUES AND EXPENSES*

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

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

***REVENUE AND EXPENSES*** (cont.)

***Transfers – Tax Equivalent***

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

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

GASB has issued GASB Statement No. 103*, Financial Reporting Model Improvements* and Statement No. 104*, Disclosure of Certain Capital Assets and* No. 105*, Subsequent Events*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

***COMPARATIVE DATA***

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

## NOTE 2 – DEPOSITS AND INVESTMENTS

| | Carrying Value as of December 31, 2025 | Carrying Value as of December 31, 2024 | Associated Risks |
|---|---|---|---|
| Other Investment Pool | $ 48,668,423 | $ 45,667,266 | (A) |
| Money Market Mutual Funds | 1,410,330 | 4,657,950 | Custodial credit, interest rate |
| U.S. Agencies – implicitly guaranteed | 9,946,814 | 9,523,550 | Custodial credit, credit, concentration and interest rate risks |
| Corporate Notes, State and Local Bonds | 1,052,963 | 1,109,693 | Custodial credit, credit, concentration and interest rate risks |
| Working Funds – Petty Cash | 21,100 | 21,100 | None |
| Totals | $ 61,099,630 | $ 60,979,559 | |

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

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

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

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

### *FAIR VALUE*

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

At December 31, 2025 and 2024, the Utility had investments in US Agency and Corporate Note, State and Local Bond Securities of $10,999,777 and $10,633,243, respectively. These investments were valued using Level 2 input. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., “market-corroborated” inputs. Level 2 inputs include:

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

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

### *CUSTODIAL CREDIT RISK*

#### *Deposits*

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

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 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.

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

### *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 $12,410,107 and $15,291,193 of U.S. Agencies, Corporate Notes, State and Local Bond securities, and Money Market Mutual Funds which were exposed to custodial credit risk as of December 31, 2025 and 2024, respectively, because the investments were neither insured nor registered and are held by the 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.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2025 and 2024, all of the U.S. Agency investments were rated Aa1 by Moody's Investors Service. All of the State and Local Bond investments were rated Aa1 by Moody's Investors Service or AA+ by S&P.

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

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

Concentration risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. As of December 31, 2025, the Utility had 16% of its portfolio in Federal Home Loan Bank system securities, 13% in Federal Farm Credit Bank system securities, 3% in US Treasury and 3% in Federal National Mortgage Association (Fannie Mae) system securities. As of December 31, 2024, the Utility had 16% of its portfolio in Federal Home Loan Bank system securities, 8% in Federal National Mortgage Association (Fannie Mae) system securities and 5% in Federal Farm Credit Bank system securities.

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, 2025 and 2024:

| | | 2025 | | 2024 | |
|---|---|---|---|---|---|
| Due To | Due From | Amount | Principal Purpose | Amount | Principal Purpose |
| Water | Municipality | $ 684,245 | Delinquent water bills and special assessments on tax roll | $ 670,609 | Delinquent water bills and special assessments on tax roll |

The following is a schedule of transfer balances as of December 31, 2025 and 2024:

| | | 2025 | | 2024 | |
|---|---|---|---|---|---|
| To | From | Amount | Principal Purpose | Amount | Principal Purpose |
| Municipality | Water | $ 7,163,544 | Tax equivalent | $ 6,626,591 | Tax equivalent |
| Water | Sewer | 173,048 | Operating expenses | 155,503 | 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 along with certain proceeds of the Utility's revenue from sale of water are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants or set aside for the replacement of water main pipe. The following accounts are reported as restricted assets:

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

## NOTE 4 – RESTRICTED ASSETS (cont.)

The following calculation supports the amount of restricted net position:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Restricted Assets | | |
| Current restricted assets | | |
| Principal and interest | $ 13,407,103 | $ 13,217,358 |
| Noncurrent Restricted Assets | | |
| Reserve – *See Note (A)* | 10,776,708 | 11,707,128 |
| Construction | 881,492 | 7,492,361 |
| Assessment fund | 2,707,872 | 2,055,530 |
| Depreciation | 750,000 | 750,000 |
| Expense depreciation | 2,160,653 | 2,413,110 |
| Total Noncurrent Restricted Assets | 17,276,725 | 24,418,129 |
| Total Restricted Assets | 30,683,828 | 37,635,487 |
| Less: Restricted Assets not Funded by Revenues | | |
| Reserve – *See Note (A)* | (8,621,411) | (9,049,570) |
| Construction | (881,492) | (7,492,361) |
| Current Liabilities Payable from Restricted Assets | (1,957,783) | (2,198,506) |
| Total Restricted Net Position | $ 19,223,142 | $ 18,895,050 |
| The purpose of the restricted net position is as follows: | | |
| Debt service | $ 13,604,617 | $ 13,676,410 |
| Capital repairs and replacement | 5,618,525 | 5,218,640 |
| Total | $ 19,223,142 | $ 18,895,050 |

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 2025 follows:

| | 1/1/25 Balance | Increases | Decreases | 12/31/25 Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated & amortized | | | | |
| Land and land rights | $ 3,133,713 | $ - | $ - | $ 3,133,713 |
| Capital assets being depreciated & amortized | | | | |
| Source of supply | 13,192,772 | 36,469 | - | 13,229,241 |
| Subscription assets | 1,666,153 | 595,159 | 538,182 | 1,723,130 |
| Pumping | 27,262,078 | 669,404 | 343,845 | 27,587,637 |
| Water treatment | 5,906,405 | 5,373,233 | 99,368 | 11,180,270 |
| Transmission and distribution | 354,535,464 | 9,574,850 | 417,991 | 363,692,323 |
| General | 41,130,940 | 2,088,843 | 899,660 | 42,320,123 |
| Total Capital Assets Being Depreciated | 443,693,812 | 18,337,958 | 2,299,046 | 459,732,724 |
| Total Capital Assets | 446,827,525 | 18,337,958 | 2,299,046 | 462,866,437 |
| Less: Accumulated Depreciation & Amortization | | | | |
| Source of supply | (7,796,235) | (311,710) | - | (8,107,945) |
| Subscription assets | (524,706) | (244,448) | 268,219 | (500,935) |
| Pumping | (13,266,757) | (1,041,547) | 358,527 | (13,949,777) |
| Water treatment | (2,151,281) | (302,694) | 94,241 | (2,359,734) |
| Transmission and distribution | (94,865,285) | (6,922,048) | 441,717 | (101,345,616) |
| General | (20,179,155) | (2,123,095) | 910,914 | (21,391,336) |
| Total Accumulated Depreciation | (138,783,419) | (10,945,542) | 2,073,618 | (147,655,343) |
| Construction in progress | 5,833,807 | 20,229,699 | 15,292,149 | 10,771,357 |
| Net Capital Assets | $ 313,877,913 | | | $ 325,982,451 |

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

A summary of changes in capital assets for 2024 follows:

| | 1/1/24 Balance | Increases | Decreases | 12/31/24 Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated & amortized | | | | |
| Land and land rights | $ 3,129,640 | $ 4,073 | $ - | $ 3,133,713 |
| Capital assets being depreciated & amortized | | | | |
| Source of supply | 13,192,772 | - | - | 13,192,772 |
| Subscription assets | 1,337,457 | 328,696 | - | 1,666,153 |
| Pumping | 26,087,258 | 1,433,193 | 258,373 | 27,262,078 |
| Water treatment | 5,817,023 | 108,249 | 18,867 | 5,906,405 |
| Transmission and distribution | 343,145,583 | 11,951,572 | 561,691 | 354,535,464 |
| General | 40,340,343 | 1,088,027 | 297,430 | 41,130,940 |
| Total Capital Assets Being Depreciated | 429,920,436 | 14,909,737 | 1,136,361 | 443,693,812 |
| Total Capital Assets | 433,050,076 | 14,913,810 | 1,136,361 | 446,827,525 |
| Less: Accumulated Depreciation & Amortization | | | | |
| Source of supply | (7,485,733) | (310,502) | - | (7,796,235) |
| Subscription assets | (292,641) | (232,065) | - | 524,706 |
| Pumping | (12,525,697) | (1,009,672) | 268,612 | (13,266,757) |
| Water treatment | (1,957,420) | (214,246) | 20,385 | (2,151,281) |
| Transmission and distribution | (90,922,083) | (6,722,059) | 2,778,857 | (94,865,285) |
| General | (18,748,697) | (1,728,416) | 297,958 | (20,179,155) |
| Total Accumulated Depreciation | (131,932,271) | (10,216,960) | 3,365,812 | (138,783,419) |
| Construction in progress | 3,956,980 | 12,585,597 | 10,708,770 | 5,833,807 |
| Net Capital Assets | $ 305,074,785 | | | $ 313,877,913 |

## NOTE 6 – LONG-TERM OBLIGATIONS

### *REVENUE BONDS*

| Date | Purpose | Final Maturity | Interest Rates | Original Amount | 12/31/2025 Amount Outstanding |
|---|---|---|---|---|---|
| 12/17/15 | System improvements | 1/1/36 | 2.85 – 5.00% | $ 41,610,000 | $ 26,335,000 |
| 12/28/16 | Refunding debt and system improvements | 1/1/37 | 1.24 – 3.82 | 38,420,000 | 21,390,000 |
| 12/20/18 | Series A – System Improvements | 1/1/39 | 4.00 | 30,765,000 | 23,935,000 |
| 12/20/18 | Series B - Operations | 1/1/28 | 3.00 – 3.55 | 9,390,000 | 3,440,000 |
| 12/19/19 | Series A - Refunding 2009A and 2010 bonds | 1/1/31 | 2.00 – 5.00 | 33,680,000 | 20,180,000 |
| 12/19/19 | Series B – Refunding 2011 bonds | 1/1/32 | 1.70 – 2.65 | 13,055,000 | 8,085,000 |
| 10/11/23 | SDWL 4837-06 – Pipeline and repayment of BAN* | 5/1/43 | 2.15 | 4,675,000 | 4,291,642 |
| 5/22/24 | SDWL 4837-12 – Pipeline and repayment of BAN* | 5/1/44 | 2.15 | 3,365,000 | 3,228,496 |
| 7/24/24 | SDWL 4837-09 – UW 15 PFAS Mitigation* | 5/1/44 | 2.15 | 2,431,562 | 2,431,562 |
| | Totals | | | $ 177,391,562 | $ 113,316,700 |

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

Revenue bond debt service requirements to maturity follows:

| Year Ending December 31: | Revenue Bonds Principal | Revenue Bonds Interest | Direct Placement Principal | Direct Placement Interest | Total |
|---|---|---|---|---|---|
| 2026 | 11,485,000 | 3,608,004 | 442,314 | 209,029 | 15,744,347 |
| 2027 | 11,490,000 | 3,136,099 | 451,802 | 199,131 | 15,277,032 |
| 2028 | 11,985,000 | 2,655,165 | 461,493 | 189,336 | 15,290,994 |
| 2029 | 11,620,000 | 2,191,945 | 471,392 | 179,330 | 14,462,667 |
| 2030 | 10,375,000 | 1,826,465 | 481,503 | 169,111 | 12,852,079 |
| 2031-2035 | 31,990,000 | 5,539,375 | 2,566,943 | 684,418 | 40,780,736 |
| 2036-2040 | 14,420,000 | 856,661 | 2,854,315 | 393,962 | 18,524,938 |
| 2041-2044 | - | - | 2,221,938 | 87,422 | 2,309,360 |
| Totals | $ 103,365,000 | $ 19,813,714 | $ 9,951,700 | $ 2,111,739 | $ 135,242,153 |

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

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

The bonds are secured by a pledge of the redemption fund, net Utility revenues and a mortgage lien on the Utility plant. Principal and interest paid for 2025 and 2024 were $15,667,539 and $31,139,701, respectively. Total customer net revenues as defined for 2025 and 2024 were $38,429,869 and $39,896,922, respectively. Annual principal and interest payments are expected to require 18% of net revenues.

***GENERAL OBLIGATION BONDS***

| Date | Purpose | Final Maturity | Interest Rates | Original Amount | 12/31/2025 Amount Outstanding |
|---|---|---|---|---|---|
| 10/6/2022 | Refunding - System Imp. | 10/1/2033 | 4.00 - 5.00% | $ 22,035,000 | $ 16,810,000 |
| 9/5/2024 | Unit Well 19 | 10/1/2043 | 5.00 | 7,328,000 | 6,734,273 |
| | | | | $ 29,363,000 | $ 23,544,273 |

General obligation bond debt service requirements to maturity follows:

| Year Ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | 2,488,727 | 1,129,915 | 3,618,642 |
| 2027 | 2,578,727 | 1,005,479 | 3,584,206 |
| 2028 | 2,673,727 | 876,542 | 3,550,269 |
| 2029 | 2,773,727 | 742,856 | 3,516,583 |
| 2030 | 2,893,727 | 604,170 | 3,497,897 |
| 2031-2035 | 8,895,854 | 1,099,856 | 9,995,710 |
| 2036-2040 | 774,865 | 195,266 | 970,131 |
| 2041-2043 | 464,919 | 37,193 | 502,112 |
| Totals | $ 23,544,273 | $ 5,691,277 | $ 29,235,550 |

***OTHER LIABILITY***

The Utility has entered into a long-term easement for land. The terms and conditions for this obligation correlate to the water tower agreements for Northport Dr water tower, expiring from May 27, 2037 up to October 31, 2045.

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | 12/31/2025 Amount Outstanding |
|---|---|---|---|---|---|
| 1/1/2021 | Use of land | 5/27/37-10/31/45 | 0.935864-3.204779% | $ 1,123,944 | $ 1,017,049 |

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

***OTHER LIABILITY*** (cont.)

Future annual contract payments for the year ended December 31, 2025 follows:

| Year Ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | 45,832 | 18,994 | 64,826 |
| 2027 | 49,067 | 18,352 | 67,419 |
| 2028 | 52,464 | 17,652 | 70,116 |
| 2029 | 56,030 | 16,891 | 72,921 |
| 2030 | 59,772 | 16,066 | 75,838 |
| 2031-2035 | 361,758 | 65,432 | 427,190 |
| 2036-2040 | 219,660 | 38,321 | 257,981 |
| 2041-2045 | 172,467 | 13,878 | 186,345 |
| | $ 1,017,050 | $ 205,586 | $ 1,222,636 |

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

***SBITA LIABILITY***

The Utility, as a lessee, has entered into multiple SBITAs with extensions. As of December 31, 2025 and 2024 the SBITA obligation was $264,192 and $229,740. The SBITAs have interest rates between 2.81% and 3.57% and have an estimated life of three to six years. The Utility made $110,866 and $65,743 of principal and $3,456 and $1,703 of interest payments related to these SBITAs for the fiscal year ended December 31, 2025 and 2024, respectively.

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | 12/31/2025 Amount Outstanding |
|---|---|---|---|---|---|
| 8/1/2020 - 7/28/2023 | SBITA Obligations | 7/31/2025-1/6/2028 | 2.81 - 3.57% | $ 514,535 | $ 264,192 |

The Utility's total SBITA payments are as follows:

| Year Ended December 31: | Principal Amount | Interest Amount | Total |
|---|---|---|---|
| 2026 | 184,913 | 2,471 | 187,384 |
| 2027 | 79,279 | - | 79,279 |
| | 264,192 | 2,471 | 266,663 |
| Less: Current Portion | (184,913) | (2,471) | (187,384) |
| Long-term portion as of December 31, 2025 | $ 79,279 | $ - | $ 79,279 |

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

### *LONG-TERM OBLIGATIONS SUMMARY*

Long-term obligation activity for the year ended December 31, 2025, is as follows:

| | 1/1/25 Balance | Additions | Reductions | 12/31/25 Balance | Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 123,118,077 | $ 1,578,840 | 11,380,217 | $ 113,316,700 | $ 11,927,314 |
| General obligation bonds | 25,943,000 | - | 2,398,727 | 23,544,273 | 2,488,727 |
| Accrued sick leave | 1,809,372 | 311,800 | 516,454 | 1,604,718 | - |
| Customer advances for construction | 90,894 | 452,790 | 400,093 | 143,591 | - |
| Other Liability | 954,599 | 415,865 | 353,415 | 1,017,049 | 45,832 |
| SBITA Liability | 229,740 | 178,760 | 144,308 | 264,192 | 184,913 |
| Unamortized debt premium | 8,587,247 | - | 1,103,116 | 7,484,131 | - |
| Totals | $ 160,732,929 | $ 2,938,055 | $ 16,296,330 | $ 147,374,654 | $ 14,646,786 |

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

| | 1/1/24 Balance | Additions | Reductions | 12/31/24 Balance | Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 145,250,000 | $ 4,217,722 | 26,349,645 | $ 123,118,077 | $ 11,380,217 |
| General obligation bonds | 20,345,000 | 7,328,000 | 1,730,000 | 25,943,000 | 2,398,727 |
| Accrued sick leave | 2,178,540 | 322,440 | 691,608 | 1,809,372 | - |
| Customer advances for construction | 113,749 | 432,470 | 455,325 | 90,894 | - |
| Advance from municipality | 161,533 | - | 161,533 | - | - |
| Other Liability | 978,719 | - | 24,120 | 954,599 | 54,439 |
| SBITA Liability | 91,789 | 301,022 | 163,071 | 229,740 | 110,866 |
| Unamortized debt premium | 9,690,362 | - | 1,103,115 | 8,587,247 | - |
| Totals | $ 178,809,692 | $ 12,601,654 | $ 30,678,417 | $ 160,732,929 | $ 13,944,249 |

### *SAFE DRINKING WATER LOAN REVENUE BOND*

From January 29, 2025 to October 8, 2025 the Utility obtained a Safe Drinking Water Loan (SDWL) from the Wisconsin Department of Natural Resources in the amount of $1,578,840 with an average interest rate of 2.15%. The $1,578,840 SDWL is to fund the mitigation of Unit Well 15 for Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) and includes a 50% principal forgiveness.

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

## 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 2025 and 2024.

### *NUMBER OF CUSTOMERS*

At December 31, 2025 and 2024, the Utility served the following number of customers:

| | 2025 | 2024 |
|---|---|---|
| Residential | 59,812 | 59,479 |
| Multifamily | 4,984 | 4,937 |
| Duplex | 2,165 | 2,166 |
| Commercial | 5,636 | 5,600 |
| Industrial | 94 | 92 |
| Public Authority | 880 | 868 |
| Totals | 73,571 | 73,142 |

### *WATER PUMPED AND BILLED*

During the years ended December 31, 2025 and 2024, the following amounts of water were pumped and billed:

| | (000 gallons) | |
|---|---|---|
| | 2025 | 2024 |
| Water pumped | 8,848,152 | 8,997,926 |
| Water billed | 7,887,353 | 7,833,050 |

### *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, 2025 | December 31, 2024 |
|---|---|---|
| Plant in Service | $ 462,866,437 | $ 446,827,525 |
| Accumulated Deprecation | (147,655,343) | $ (138,783,419) |
| Construction in Progress | 10,771,357 | $ 5,833,807 |
| Subtotals | 325,982,451 | 313,877,913 |
| Less: Capital Related Debt | | |
| Current portion of capital related long-term debt - *See Note (A)* | 13,306,041 | 12,708,944 |
| Current portion of contract liability | 45,832 | 54,439 |
| Current portion of SBITA liability | 184,913 | 110,866 |
| Lease liability (net of current portion) | 971,217 | 900,160 |
| SBITA liability (net of current portion) | 79,279 | 118,874 |
| Long-term portion of capital related long-term debt - *See Note (A)* | 120,114,932 | 131,842,133 |
| Unamortized debt premium | 7,484,131 | 8,587,247 |
| Unamortized gain on advance refunding | 1,107,169 | 1,252,729 |
| Unamortized loss on advance refunding | (264,650) | (342,770) |
| Subtotals | 143,028,864 | 155,232,622 |
| Add: Borrowed Funds on Hand | | |
| Reserve Funds | 8,621,411 | 9,049,570 |
| Construction fund | 881,492 | 7,492,361 |
| Subtotals | 9,502,903 | 16,541,931 |
| Total Net Investment In Capital Assets | $ 192,456,490 | $ 175,187,222 |

*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.

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

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

***General Information about the Pension Plan*** (cont.)

***Postretirement adjustments*** (cont.)

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|---|---|---|
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5) |
| 2017 | 2.0 | 4.0 |
| 2018 | 2.4 | 17.0 |
| 2019 | 0.0 | (10.0) |
| 2020 | 1.7 | 21 |
| 2021 | 5.1 | 13 |
| 2022 | 7.4 | 15 |
| 2023 | 1.6 | (21.0) |
| 2024 | 3.6 | 15 |

***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 $768,754 and $734,577 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2025 and December 31, 2024 are:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Employee | Employer | Employee | Employer |
| General (including Executives and Elected Officials) | 6.95% | 6.95% | 6.90% | 6.90% |
| Protective with Social Security | 6.95% | 14.95% | 6.90% | 14.30% |
| Protective without Social Security | 6.95% | 18.95% | 6.90% | 19.10% |

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

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

At December 31, 2025, the Utility reported a liability (asset) of $814,016 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2024, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2023, rolled forward to December 31, 2024. 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, 2024, the municipality's proportion was 1.89032%, which was an increase of 0.01202% from its proportion measured as of December 31, 2023.

At December 31, 2024, the Utility reported a liability (asset) of $718,417 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2022, rolled forward to December 31, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2023, the municipality's proportion was 1.87830%, which was an increase of 0.01326% from its proportion measured as of December 31, 2022.

For the years ended December 31, 2025 and 2024, the Utility recognized pension expense of $345,418 and ($336,691), respectively.

At December 31, 2025, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 3,310,732 | $ (2,888,569) |
| Changes in assumptions | 330,534 | - |
| Net differences between projected and actual earnings on pension plan investments | 934,377 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,929 | (15,412) |
| Employer contributions subsequent to the measurement date | 768,754 | - |
| Totals | $ 5,348,326 | $ (2,903,981) |

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

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

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:

| 2025 | |
|---|---|
| Year Ended December 31 | Water Utility |
| 2026 | 501,560 |
| 2027 | 1,740,957 |
| 2028 | (432,120) |
| 2029 | (134,806) |
| 2030 | - |
| Total | $ 1,675,591 |

***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:

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

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

| | 2025 | 2024 |
|---|---|---|
| Actuarial valuation date | December 31, 2023 | December 31, 2022 |
| Measurement date of net Pension liability (Asset) | December 31, 2024 | December 31, 2023 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Asset valuation method | Fair value | Fair value |
| Long-term expected rate of return | 6.8% | 6.8% |
| Discount rate | 6.8% | 6.8% |
| Salary increases | | |
| Inflation | 3.0% | 3.0% |
| Seniority/Merit | 0.1% - 5.7% | 0.1% - 5.6% |
| Mortality | 2020 WRS Experience Mortality Table | Wisconsin 2020 Experience Mortality Table |
| Post-retirement adjustments* | 1.7% | 1.7% |

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total pension liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 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, 2025 are summarized in the following table:

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

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

| Core Fund Asset Class | Current Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|---|---|---|---|
| Global Equities | 38.0% | 7.0% | 4.3% |
| Fixed Income | 27.0 | 6.1 | 3.4 |
| Inflation Sensitive Assets | 19.0 | 4.8 | 2.1 |
| Real Estate | 8.0 | 6.5 | 3.8 |
| Private Equity/Debt | 20.0 | 9.5 | 6.7 |
| *Total Core Fund* | 112.0 | 7.5 | 4.8 |
| Variable Fund Asset Class | | | |
| US Equities | 70.0 | 6.5 | 3.8 |
| International Equities | 30.0 | 7.4 | 4.7 |
| *Total Variable Fund* | 100.0 | 6.9 | 4.2 |

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.6%

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

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

**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, 2024 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 | 48.0% | 7.6% | 5.0% |
| Fixed Income | 25.0 | 5.3 | 2.7 |
| Inflation Sensitive Assets | 19.0 | 3.6 | 1.1 |
| Real Estate | 8.0 | 5.2 | 2.6 |
| Private Equity/Debt | 15.0 | 9.6 | 6.9 |
| *Total Core Fund* | 115.0 | 7.4 | 4.8 |
| Variable Fund Asset Class | | | |
| US Equities | 70.0 | 7.2 | 4.6 |
| International Equities | 30.0 | 8.1 | 5.5 |
| *Total Variable Fund* | 100.0 | 7.7 | 5.1 |

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

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

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

***Single discount rate.*** A single discount rate of 6.80 percent was used to measure the total pension liability (asset) as of December 31, 2025 and December 31, 2024. This single discount rate was based on the expected rate of return on pension plan investments of 6.80 and a municipal bond rate of 4.08 percent and 3.77 percent, in 2025 and 2024 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, 2025 and 2024, 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, 2025 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) | $ 7,634,514 | $ 814,016 | $ (4,032,121) |

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

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

***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.

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

### *GENERAL INFORMATION ABOUT THE OPEB PLAN* (cont.)

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

***Employees covered by benefit terms.*** At December 31, 2025 and 2024, the following employees were covered by the benefit terms:

| | Water Utility | |
|---|---|---|
| | 2025 | 2024 |
| Inactive plan members or beneficiaries currently receiving benefit payments | 25 | 27 |
| Inactive plan members entitled to but not yet receiving benefit payments | - | - |
| Active plan members | 102 | 105 |
| | 127 | 132 |

### *TOTAL OPEB LIABILITY*

At December 31, 2025, the Utility's total OPEB liability of $2,929,954 was measured as of December 31, 2025, and was determined by an actuarial valuation as of that date. At December 31, 2024, the Utility's total OPEB liability was $2,662,733 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

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

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

| | 2025 | 2024 |
|---|---|---|
| Actuarial valuation date | December 31, 2025 | December 31, 2024 |
| Inflation | 2.40% per year | 2.40% per year |
| Salary increases | 3.0% | 2.0 - 6.0% |
| Investment rate of return | 4.28% as of January 1, 2025 and 4.83% as of December 31, 2025 | 4.00% as of January 1, 2024 and 4.28% as of December 31, 2024 |
| Healthcare cost trend rates | 8.0% 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 | 4.83% | 4.28% |

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

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

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

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

### *CHANGES IN THE TOTAL OPEB LIABILITY*

| | Total OPEB Liability |
|---|---|
| Balances at January 1, 2025 | $ 2,662,733 |
| Changes for the year: | |
| Allocation changes | (88,664) |
| Service cost | 189,446 |
| Interest | 115,270 |
| Change in benefit terms | - |
| Differences between expected and actual experience | 8,649 |
| Changes in assumptions | 184,603 |
| Benefit payments | (142,083) |
| Net changes | 267,221 |
| Balances at December 31, 2025 | $ 2,929,954 |

| | Total OPEB Liability |
|---|---|
| Balances at January 1, 2024 | $ 2,875,795 |
| Changes for the year: | |
| Allocation changes | (273,679) |
| Service cost | 178,857 |
| Interest | 108,448 |
| Change in benefit terms | - |
| Differences between expected and actual experience | (21,687) |
| Changes in assumptions | (64,084) |
| Benefit payments | (140,917) |
| Net changes | (213,062) |
| Balances at December 31, 2024 | $ 2,662,733 |

There was a change in the discount rate from 4.28% to 4.83% from December 31, 2024 to December 31, 2025.

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

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

| As of December 31, 2025: | 1% Decrease (3.83%) | Discount Rate (4.83%) | 1% Increase (5.83%) |
|---|---|---|---|
| Total OPEB liability | $ 3,169,831 | $ 2,929,954 | $ 2,711,224 |

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

***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, 2025: | 1% Decrease (7.00%) | Healthcare Cost Trend Rates (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Total OPEB liability | $ 2,630,349 | $ 2,929,954 | $ 3,280,633 |

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

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

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

For the year ended December 31, 2025 and 2024, the Utility recognized OPEB expense of $271,668 and $228,583, respectively. At December 31, 2025 and 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of assumptions or other inputs | $ 437,598 | $ (220,508) | $ 374,089 | $ (287,317) |
| Differences between expected and actual experience | - | (226,072) | - | (327,940) |
| Total | $ 437,598 | $ (446,580) | $ 374,089 | $ (615,257) |

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: | |
|---|---|
| 2026 | (5,959) |
| 2027 | (14,252) |
| 2028 | (42,199) |
| 2029 | (31,423) |
| 2030 | 46,902 |
| Thereafter | 37,949 |
| Total | $ (8,982) |

## 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, 2025 follows:

| Lessee | Date of Inception | Final Maturity | Interest Rate | Receivable Balance 12/31/2025 | Deferred Inflow Balance 12/31/2025 |
|---|---|---|---|---|---|
| Verizon Wireless (Primeco) | 6/1/1997 | 5/31/2037 | 0.935864 | $ 557,933 | $ 512,337 |
| New Cingular Wireless ATT Mobility | 1/12/1998 | 10/31/2025 | 0.935864 | - | - |
| Sprint Spectrum LP | 3/1/1998 | 2/28/2038 | 0.935864 | 595,949 | 536,708 |
| Verizon Wireless Personal Communications LP | 10/10/2016 | 10/9/2036 | 0.935864 | 438,757 | 416,051 |
| New Cingular Wireless PCS LLC | 12/5/2021 | 12/4/2041 | 2.813855 | 591,511 | 558,122 |
| New Cingular Wireless PCS LLC | 4/1/2022 | 3/31/2042 | 2.813855 | 596,136 | 543,311 |
| New Cingular Wireless PCS LLC | 7/1/2022 | 6/30/2042 | 2.813855 | 613,055 | 571,328 |
| Madison Gas and Electric Company | 5/28/2024 | 5/27/2037 | 2.930256 | 49,558 | 48,561 |
| Madison Gas and Electric Company | 5/28/2024 | 5/27/2037 | 2.930256 | 49,558 | 48,561 |
| New Cingular Wireless PCS LLC | 11/1/2025 | 10/31/2045 | 3.204779 | 830,658 | 825,860 |
| | | | | $ 4,323,115 | $ 4,060,839 |

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

| Lessee | Date of Inception | Final Maturity | Interest Rate | Receivable Balance 12/31/2024 | Deferred Inflow Balance 12/31/2024 |
|---|---|---|---|---|---|
| Verizon Wireless (Primeco) | 6/1/1997 | 5/31/2037 | 0.935864 | $ 594,557 | $ 557,213 |
| New Cingular Wireless ATT Mobility | 1/12/1998 | 1/11/2038 | 0.935864 | 631,688 | 576,817 |
| Sprint Spectrum LP | 3/1/1998 | 2/28/2038 | 0.935864 | 630,704 | 580,821 |
| Sprint Spectrum LP | 6/1/2004 | 5/31/2024 | 0.935864 | - | - |
| Verizon Wireless Personal Communications LP | 10/10/2016 | 10/9/2036 | 0.935864 | 471,419 | 454,667 |
| New Cingular Wireless PCS LLC | 12/5/2021 | 12/4/2041 | 2.813855 | 613,015 | 593,164 |
| New Cingular Wireless PCS LLC | 4/1/2022 | 3/31/2042 | 2.813855 | 615,395 | 576,746 |
| New Cingular Wireless PCS LLC | 7/1/2022 | 6/30/2042 | 2.813855 | 632,861 | 605,955 |
| Madison Gas and Electric Company | 5/28/2024 | 5/27/2037 | 2.930256 | 52,248 | 52,818 |
| Madison Gas and Electric Company | 5/28/2024 | 5/27/2037 | 2.930256 | 52,248 | 52,818 |
| | | | | $ 4,294,135 | $ 4,051,019 |

The Utility recognized $283,053 and $298,225 of lease revenue as of December 31, 2025 and 2024, respectively.

The Utility recognized $78,977 and $77,242 of interest revenue as of December 31, 2025 and 2024, 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, 2025 and 2024 has been accrued in these financial statements.

## NOTE 12 – SUBSEQUENT EVENTS

### *RATE INCREASE*

The utility submitted rate case 3280-WR-117 to the Wisconsin Public Service Commission (PSCW) on December 16, 2024. The new rates were approved by the PSCW on April 2, 2026 and went into effect on May 1, 2026 for an overall average increase of 9.89%. The rates were designed to include $10,000,000 for cash funding for main replacement projects.

### *REVENUE BOND REFUNDING*

On January 7, 2026 the Utility (the Issuer) issued Water Utility Revenue Refunding Bonds, Series 2026A in the aggregate principal amount of $14,560,000. The proceeds of the Series 2026A Bonds were used to (i) provide for the current/advance refunding of a portion of the Issuer’s outstanding Water Utility Revenue Refunding and Improvement Bonds, Series 2016 (the Refunded Bonds) and (ii) pay the costs of issuance.

# 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, 2025

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 |
|---|---|---|---|---|---|
| 12/31/25 | 1.89032% | $ 814,016 | $ 10,646,043 | 7.65% | 98.79% |
| 12/31/24 | 1.86022% | 718,417 | 9,650,779 | 7.44% | 98.85% |
| 12/31/23 | 1.84596% | 2,642,509 | 9,098,831 | 29.04% | 95.72% |
| 12/31/22 | 1.82854% | (4,074,884) | 8,744,178 | 46.60% | 106.02% |
| 12/31/21 | 1.80992% | (3,317,731) | 9,215,274 | 36.00% | 105.26% |
| 12/31/20 | 1.78515% | (1,803,263) | 9,089,634 | 19.84% | 102.96% |
| 12/31/19 | 1.74728% | 2,015,781 | 8,837,448 | 22.81% | 96.45% |
| 12/31/18 | 1.68891% | (1,594,540) | 8,270,529 | 19.28% | 102.93% |
| 12/31/17 | 1.62005% | 438,906 | 7,895,803 | 5.56% | 99.12% |
| 12/31/16 | 1.58205% | 880,490 | 7,765,706 | 11.34% | 98.20% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2025

| 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 |
|---|---|---|---|---|---|
| 12/31/25 | $ 768,754 | $ 768,754 | $ - | $ 11,061,209 | 6.95% |
| 12/31/24 | 734,577 | 734,577 | - | 10,646,043 | 6.90% |
| 12/31/23 | 656,253 | 656,253 | - | 9,650,779 | 6.80% |
| 12/31/22 | 591,424 | 591,424 | - | 9,098,831 | 6.50% |
| 12/31/21 | 590,232 | 590,232 | - | 8,744,178 | 6.75% |
| 12/31/20 | 622,031 | 622,031 | - | 9,215,274 | 6.75% |
| 12/31/19 | 595,371 | 595,371 | - | 9,089,634 | 6.55% |
| 12/31/18 | 592,109 | 592,109 | - | 8,837,448 | 6.70% |
| 12/31/17 | 562,396 | 562,396 | - | 8,270,529 | 6.80% |
| 12/31/16 | 521,123 | 521,123 | - | 7,895,803 | 6.60% |

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

*Changes of assumptions* .

| | 2016 - 2018 | 2019 - 2021 | 2022-2025 |
|---|---|---|---|
| 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% - 5.7% |
| Mortality | Wisconsin 2012 Mortality Table | Wisconsin 2018 Mortality Table | Wisconsin 2020 WRS Experience Mortality Table |
| Post-retirement adjustments | 1.90% | 1.90% | 1.70% |

## MADISON WATER UTILITY

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

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | |
| Allocation changes | $ (88,664) | $ (273,679) | $ (117,074) | $ 84,861 | $ (67,393) | $ (98,467) | $ (32,216) | |
| Service Cost | 189,446 | 178,857 | 169,425 | 234,723 | 230,069 | 178,623 | 162,366 | 179,318 |
| Interest on Total OPEB Liability | 115,270 | 108,448 | 108,843 | 73,513 | 65,889 | 88,516 | 105,763 | 96,586 |
| Changes in benefits terms | - | - | - | 11,644 | - | (2,792) | - | - |
| Difference between expected and actual experience | 8,649 | (21,687) | 127,168 | (358,458) | (68,576) | (142,947) | (87,124) | (198,756) |
| Changes in assumptions | 184,603 | (64,084) | 175,656 | (392,615) | (31,930) | 409,586 | 169,237 | (51,468) |
| Employee Contributions | (142,083) | (140,917) | (121,173) | - | - | - | - | - |
| Benefit payments, including employee refunds | - | - | - | (136,022) | (115,485) | (128,683) | (123,342) | (109,523) |
| Administrative expense | - | - | - | - | - | - | - | - |
| **Net Change in total OPEB Liability** | 267,221 | (213,062) | 342,845 | (482,354) | 12,574 | 303,836 | 194,684 | (83,843) |
| **Total OPEB Liability - Beginning** | 2,662,733 | 2,875,795 | 2,532,950 | 3,015,304 | 3,002,730 | 2,698,894 | 2,504,210 | 2,588,053 |
| **Total OPEB Liability - Ending** | $ 2,929,954 | $ 2,662,733 | $ 2,875,795 | $ 2,532,950 | $ 3,015,304 | $ 3,002,730 | $ 2,698,894 | $ 2,504,210 |
| **Covered-employee payroll** | $ 8,534,676 | $ 8,378,644 | $ 8,754,323 | $ 8,472,381 | $ 7,953,849 | $ 7,573,090 | $ 7,796,356 | $ 7,505,306 |
| **Total OPEB liability as a percentage of covered-employee payroll** | 34.33% | 31.78% | 32.85% | 29.90% | 37.91% | 39.65% | 34.62% | 33.37% |

**Notes to OPEB Schedule:**

Changes in Assumptions

*Changes in assumptions:*
*Discount Rate* - The discount rate has been updated from 4.28% to 4.83% in the December 31, 2025 valuation.
*Health Care and Subsidy Trend Rates* - The discount rate has been updated from 7.50% to 8.00% in the December 31, 2025 valuation.
*Inflation* - The inflation rate is 2.40%, in the December 31, 2023 valuation.
* Measurement fiscal year 2018 was the first year of GASB 75 implementation, therefore only seven years are presented.

# SUPPLEMENTARY INFORMATION

**MADISON WATER UTILITY**

REVENUE BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES
As of December 31, 2025

| | 2015 Revenue Bonds | | | 2016A Revenue Bonds | | | 2016B Revenue Bonds | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 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 | $ 26,335,000 | $ 4,843,272 | $ 31,178,272 | $ 16,740,000 | $ 4,446,125 | $ 21,186,125 | $ 4,650,000 | $ 356,250 | $ 5,006,250 |

| | 2018A Revenue Bonds | | | 2018B Taxable Revenue Bonds (Operating) | | | 2019A Refunding Bonds | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 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 | $ 23,935,000 | $ 7,309,300 | $ 31,244,300 | $ 3,440,000 | $ 184,151 | $ 3,624,151 | $ 20,180,000 | $ 1,951,950 | $ 22,131,950 |

| | 2019B Refunding Bonds | | | 2023 Revenue Bond (SDWL 4837-06) | | | 2024 Revenue Bond (SDWL 4837-12) | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2026 | 1,065,000 | 180,788 | 1,245,788 | 197,868 | 89,934 | 287,802 | 139,432 | 67,756 | 207,188 |
| 2027 | 1,090,000 | 157,615 | 1,247,615 | 202,112 | 85,644 | 287,756 | 142,423 | 64,733 | 207,156 |
| 2028 | 1,120,000 | 133,025 | 1,253,025 | 206,448 | 81,262 | 287,710 | 145,478 | 61,645 | 207,123 |
| 2029 | 1,150,000 | 106,912 | 1,256,912 | 210,876 | 76,786 | 287,662 | 148,598 | 58,491 | 207,089 |
| 2030 | 1,185,000 | 78,884 | 1,263,884 | 215,399 | 72,214 | 287,613 | 151,786 | 55,270 | 207,056 |
| 2031 | 1,220,000 | 48,813 | 1,268,813 | 220,020 | 67,545 | 287,565 | 155,041 | 51,979 | 207,020 |
| 2032 | 1,255,000 | 16,629 | 1,271,629 | 224,739 | 62,774 | 287,513 | 158,367 | 48,618 | 206,985 |
| 2033 | - | - | - | 229,560 | 57,902 | 287,462 | 161,764 | 45,184 | 206,948 |
| 2034 | - | - | - | 234,484 | 52,925 | 287,409 | 165,234 | 41,677 | 206,911 |
| 2035 | - | - | - | 239,514 | 47,842 | 287,356 | 168,778 | 38,095 | 206,873 |
| 2036 | - | - | - | 244,651 | 42,649 | 287,300 | 172,399 | 34,436 | 206,835 |
| 2037 | - | - | - | 249,899 | 37,345 | 287,244 | 176,096 | 30,698 | 206,794 |
| 2038 | - | - | - | 255,259 | 31,927 | 287,186 | 179,874 | 26,880 | 206,754 |
| 2039 | | | | 260,735 | 26,393 | 287,128 | 183,732 | 22,981 | 206,713 |
| 2040 | - | - | - | 266,327 | 20,740 | 287,067 | 187,673 | 18,997 | 206,670 |
| 2041 | - | - | - | 272,040 | 14,966 | 287,006 | 191,699 | 14,929 | 206,628 |
| 2042 | - | - | - | 277,875 | 9,069 | 286,944 | 195,811 | 10,773 | 206,584 |
| 2043 | - | - | - | 283,836 | 3,044 | 286,880 | 200,011 | 6,527 | 206,538 |
| 2044 | - | - | - | - | - | - | 204,300 | 2,191 | 206,491 |
| Totals | $ 8,085,000 | $ 722,666 | $ 8,807,666 | $ 4,291,642 | $ 880,961 | $ 5,172,603 | $ 3,228,496 | $ 701,860 | $ 3,930,356 |

| | 2024 Revenue Bond (SDWL 4837-09) | | | TOTAL (All Revenue Debt) | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2026 | 105,014 | 51,339 | 156,353 | 11,927,314 | 3,817,033 | 15,744,347 |
| 2027 | 107,267 | 48,754 | 156,021 | 11,941,802 | 3,335,230 | 15,277,032 |
| 2028 | 109,567 | 46,429 | 155,996 | 12,446,493 | 2,844,501 | 15,290,994 |
| 2029 | 111,918 | 44,053 | 155,971 | 12,091,392 | 2,371,275 | 14,462,667 |
| 2030 | 114,318 | 41,627 | 155,945 | 10,856,503 | 1,995,576 | 12,852,079 |
| 2031 | 116,770 | 39,149 | 155,919 | 7,831,831 | 1,717,010 | 9,548,841 |
| 2032 | 119,275 | 36,617 | 155,892 | 7,292,381 | 1,469,144 | 8,761,525 |
| 2033 | 121,834 | 34,031 | 155,865 | 6,248,158 | 1,238,098 | 7,486,256 |
| 2034 | 124,447 | 31,389 | 155,836 | 6,474,165 | 1,015,869 | 7,490,034 |
| 2035 | 127,116 | 28,691 | 155,807 | 6,710,408 | 783,672 | 7,494,080 |
| 2036 | 129,843 | 25,935 | 155,778 | 6,951,893 | 541,181 | 7,493,074 |
| 2037 | 132,628 | 23,120 | 155,748 | 4,298,623 | 336,963 | 4,635,586 |
| 2038 | 135,473 | 20,245 | 155,718 | 2,665,606 | 208,152 | 2,873,758 |
| 2039 | 138,379 | 17,308 | 155,687 | 2,762,846 | 110,282 | 2,873,128 |
| 2040 | 141,347 | 14,308 | 155,655 | 595,347 | 54,045 | 649,392 |
| 2041 | 144,379 | 11,244 | 155,623 | 608,118 | 41,139 | 649,257 |
| 2042 | 147,476 | 8,113 | 155,589 | 621,162 | 27,955 | 649,117 |
| 2043 | 150,639 | 4,916 | 155,555 | 634,486 | 14,487 | 648,973 |
| 2044 | 153,872 | 1,650 | 155,522 | 358,172 | 3,841 | 362,013 |
| | $ 2,431,562 | $ 528,918 | $ 2,960,480 | $ 113,316,700 | $ 21,925,453 | $ 135,242,153 |

# MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES
For the Years Ended December 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Unmetered Sales | $ 277,468 | $ 332,953 |
| Metered Sales | | |
| Residential | 23,183,802 | 23,020,149 |
| Duplex | 878,237 | 885,536 |
| Multi-Family | 11,489,048 | 11,319,276 |
| Commercial | 10,978,119 | 10,768,233 |
| Industrial | 1,156,871 | 1,106,615 |
| Public authority | 7,106,505 | 7,448,552 |
| Sales for resale | 571,243 | 574,195 |
| Total Metered Sales | 55,363,825 | 55,122,556 |
| Public Fire Protection | 118,675 | 118,711 |
| Total Sales of Water | 55,759,968 | 55,574,220 |
| Customer Late Payment Penalties | 287,586 | 293,720 |
| Miscellaneous | 66,808 | 64,335 |
| Rents from water property | 371,031 | 392,600 |
| Other | 312,667 | 318,199 |
| Total Operating Revenues | 56,798,060 | 56,643,074 |
| **OPERATING EXPENSES** | | |
| Operation and Maintenance | | |
| Source of Supply | | |
| Maintenance | | |
| Supervision and engineering | 21,006 | 18,612 |
| Collecting and impounding reservoirs | 9,832 | 15,164 |
| Wells and springs | 56,503 | 146,785 |
| Total Source of Supply | 87,341 | 180,561 |
| Pumping | | |
| Operation supervision and engineering | 83,373 | 55,224 |
| Power purchased for pumping | 2,290,837 | 2,406,454 |
| Pumping labor | 607,414 | 544,444 |
| Miscellaneous | 608,945 | 554,155 |
| Maintenance | | |
| Supervision and engineering | 159,659 | 218,352 |
| Structures and improvements | 470,218 | 464,936 |
| Pumping equipment | 426,743 | 624,921 |
| Total Pumping | 4,647,189 | 4,868,486 |
| Water Treatment | | |
| Operation supervision and engineering | 116,510 | 112,127 |
| Chemicals | 203,147 | 195,951 |
| Operation labor | 315,330 | 297,272 |
| Miscellaneous | 190,456 | 151,264 |
| Maintenance | | |
| Supervision and engineering | 21,006 | 18,612 |
| Water treatment equipment | 163,206 | 141,822 |
| Total Water Treatment | 1,009,655 | 917,048 |

# MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES (cont.)
For the Years Ended December 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **OPERATING EXPENSES** (cont.) | | |
| Operation and Maintenance (cont.) | | |
| Transmission and Distribution | | |
| Operation supervision and engineering | $ 324,994 | $ 343,148 |
| Storage facilities | 128,244 | 122,331 |
| Transmission and distribution lines | 397,806 | 497,983 |
| Meter | 268,415 | 221,637 |
| Customer installation | 587,544 | 487,901 |
| Miscellaneous | 2,477,853 | 1,894,870 |
| Maintenance | | |
| Reservoirs | 137,000 | 43,395 |
| Mains | 2,427,952 | 2,093,971 |
| Services | 1,016,644 | 1,043,514 |
| Meters | 145,852 | 152,110 |
| Hydrants | 345,660 | 302,598 |
| Total Transmission and Distribution | 8,257,964 | 7,203,458 |
| Customer Accounts | | |
| Supervision | 16,595 | 12,731 |
| Meter reading | 40,173 | 16,187 |
| Customer records and collection | 294,368 | 235,592 |
| Conservation | 178,726 | 192,491 |
| Total Customer Accounts | 529,862 | 457,001 |
| Administrative and General | | |
| Salaries | 1,268,843 | 1,160,532 |
| Office, building, and supplies | 512,642 | 475,789 |
| Outside services employed | 715,890 | 869,657 |
| Property insurance | 87,296 | 50,036 |
| Injuries and damages | 396,184 | 309,167 |
| Employee pensions and benefits | 2,669,387 | 1,641,649 |
| Miscellaneous | 147,101 | 63,996 |
| Maintenance of general plant | 4,798 | 4,809 |
| Total Administrative and General | 5,802,141 | 4,575,635 |
| Total Operation and Maintenance | 20,334,152 | 18,202,189 |
| Depreciation | 9,389,163 | 6,638,329 |
| Taxes | 756,351 | 736,792 |
| Total Operating Expenses | 30,479,666 | 25,577,310 |
| OPERATING INCOME | $ 26,318,394 | $ 31,065,764 |