Waukesha Water Utility

An Enterprise Fund of the City of Waukesha, Wisconsin

Financial Statements and
Supplementary Information

December 31, 2024 and 2023

Independent Auditors' Report

To the Utility Commission of
Waukesha Water Utility

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position for the Utility, as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 1, the financial statements of the Utility are intended to present the financial position, the changes in the financial position and cash flows of only the Utility. They do not purport to, and do not, present fairly the financial position of the City of Waukesha, Wisconsin, as of December 31, 2024, and 2023, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary informationas 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 16, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The management of Waukesha Water Utility (Utility) offers all persons interested in the financial position of the Utility this narrative overview and analysis of the Utility's financial performance during the years ending December 31, 2024 and 2023. You are invited to read this narrative in conjunction with the Utility's financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by $6,060,000 to $80,040,000 in 2024, an increase of 8.19%. In 2024, the increase was a result of increased revenues and investment income. In comparison, the net position decreased in 2023 primarily due to an increase in assets from substantial completion of the new water supply project, known as the Great Water Alliance project (GWA) and debt related to the construction of the GWA project also increased.

- Operating revenues, generated mostly by rate payers, increased by $6,569,000, or 41.14% in 2024. This is primarily a result of an increase in rates, which was granted by the Public Service Commission of Wisconsin (PSCW) effective October 1, 2023 and October 1, 2024.

- Operation and maintenance expenses decreased by $4,046,000 or 31.20% in 2024. The Utility began purchasing water from Milwaukee Water Works in 2023. 2024 was the first full year of purchasing water from Milwaukee. This transition to surface water lowered operating and maintenance expenses related to the pumping equipment, power for pumping, and chemicals. Non-operating expenses decreased by $2,344,000, even though interest expense increased, primarily due to a one-time payment made in 2023 for Infrastructure Enhancement to the City of Milwaukee for the GWA project.

- Year-end Cash and Equivalents increased by $7,873,000 in 2024 as a result of an increase in investment income and an increase in water rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Utility is a self-supporting entity and an enterprise fund of the City of Waukesha (municipality). It provides water services to properties within the municipality and to certain areas outside the municipality. The Utility also provides metering and billing services for the City's Clean Water Department.

The Utility is managed by a Commission. It operates under service rules and rates that are established by the PSCW. Accounting records for the Utility are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW and in accordance with the Governmental Accounting Standards Board (GASB).

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Utility. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Utility report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* includes all of the Utility's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and financial flexibility of the Utility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility's user charges are sufficient.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

UTILITY FINANCIAL ANALYSIS

An analysis of the Utility's financial position begins with a review of the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position*. These two statements report the Utility's' net assets and changes therein. The Utility's net assets (the difference between assets, deferred outflows, liabilities, and deferred inflows) are key to measuring the financial health of the Utility. Over time, increases or decreases in the net asset value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that financial position could also be affected by other non-financial factors including economic conditions, population growth and new regulations. The Utility's overall financial position has remained stable for the years ended December 31, 2024 and 2023.

NET POSITION

A summary of the Utility's *Statement of Net Position* is presented below in Table 1.

Table 1
Condensed Statement of Net Position
2024, 2023, and 2022
(000's)

	2024	2023	2022	2024 v. 2023 Change		2023 v. 2022 Change	
Current Assets	$ 53,239	$ 48,580	$ 45,333	$ 4,659	9.59 %	$ 3,247	7.16 %
Net Capital Assets	206,602	202,162	180,639	4,440	2.20	21,523	11.91
Other Noncurrent Assets	3,479	4,738	8,511	(1,259)	(26.57)	(3,773)	(44.33)
Total Assets	263,320	255,480	234,483	7,840	3.07	20,997	8.95
Deferred Outflows of Resources	2,844	3,943	3,802	(1,099)	(27.87)	141	3.71
Long Term Debt Outstanding	166,557	163,421	134,168	3,136	1.92	29,253	21.80
Other Liabilities	14,259	16,062	18,985	(1,803)	(11.23)	(2,923)	(15.40)
Total Liabilities	180,816	179,483	153,153	1,333	0.74	26,330	17.19
Deferred Inflows of Resources	5,308	5,960	6,391	(652)	(10.94)	(431)	(6.74)
Net Investment in Capital Assets	39,373	38,975	50,079	398	1.02	(11,104)	(22.17)
Restricted Net Position	2,627	2,495	2,901	132	5.29	(406)	(14.00)
Unrestricted Net Position	38,040	32,510	25,760	5,530	17.01	6,750	26.20
Total Net Position	$ 80,040	$ 73,980	$ 78,740	$ 6,060	8.19 %	$ (4,760)	(6.05) %

As shown in Table 1, Total net position increased by $6,060,000 to $80,040,000 in 2024, an increase of 8.19% in 2024. Revenues in excess of expenses accounts for the net increase in net position.

Total net position decreased by $4,760,000 to $73,980,000 in 2023, a decrease of 6.05%. While assets increased with the substantial completion of GWA project, debt related to the construction of the GWA project also increased.

The restricted portion of the net position includes accounts that are limited by bond covenants.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

The specific nature or source of changes in net assets becomes more evident in the Utility's *Statements of Revenues, Expenses and Changes in Net Position* as shown in Table 2. This statement provides an indication of the Utility's financial health.

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position
2024, 2023, and 2022
(000's)

	2024	2023	2022	2024 v. 2023 Change		2023 v. 2022 Change	
Operating Revenues	$ 22,535	$ 15,966	$ 13,456	$ 6,569	41.14 %	$ 2,510	18.65 %
Non-operating Revenues	2,552	2,280	802	272	11.93	1,478	184.29
Total Revenues	25,087	18,246	14,258	6,841	37.49	3,988	27.97
Depreciation Expense	5,295	3,952	2,839	1,343	33.98	1,113	39.20
Other Operating Expense	8,921	12,967	5,041	(4,046)	(31.20)	7,926	157.23
Non-operating Expense	3,025	5,369	2,474	(2,344)	(43.66)	2,895	117.02
Total Expense	17,241	22,288	10,354	(5,047)	(22.64)	11,934	115.26
Income before Capital Contributions and Transfers	7,846	(4,042)	3,904	11,888	294.11	(7,946)	(203.53)
Capital Contributions	379	1,585	331	(1,206)	(76.09)	1,254	378.85
Capital Contributions - Municipal	-	52	-	(52)	(100.00)	52	100.00
Transfers - Tax Equivalent	(2,165)	(2,355)	(2,198)	190	8.07	(157)	(7.14)
Changes in Net Assets	6,060	(4,760)	2,037	10,820	227.31	(6,797)	(333.68)
Beginning Net Assets	73,980	78,740	76,703	(4,760)	(6.05)	2,037	2.66
Ending Net Assets	$ 80,040	$ 73,980	$ 78,740	$ 6,060	8.19 %	$ (4,760)	(6.05) %

Operating revenues increased in 2024 by $6,569,000, as a result of an increase in water rates granted by the PSCW effective October 1, 2023 and October 1, 2024. Non-operating revenues increased by $272,000, or 11.93%, primarily due to an increase in investment income. Interest rates have remained high for much of 2024.

Operating revenues increased in 2023 by $2,510,000, as a result of an increase in water rates granted by the PSCW effective September 1, 2022 and October 1, 2023. Non-operating revenues increased by $1,478,000, or 184.29%, primarily due to an increase in investment income. Interest rates have continued to increase throughout 2023.

Depreciation expense in 2024 increased by $1,343,000, or 33.98%, due to the addition of capital assets. Other operating expenses decreased $4,046,000. In October 2023, the Utility transitioned from ground water to surface water. While 2024 was the first full year of purchasing water from Milwaukee Water Works, the transition to surface water lowered operating and maintenance expenses related to the pumping equipment, power for pumping, and chemicals. Non-operating expenses decreased by $2,344,000 in 2024. Even though interest expense increased, there was a one-time payment made in 2023 for Infrastructure Enhancement to the City of Milwaukee for the GWA project.

REVENUES, EXPENSES AND CHANGES IN NET POSITION (cont.)

Depreciation expense in 2023 increased by $1,113,000, or 39.2%, due to the addition of capital assets. Other operating expenses increased $7,926,000 because the Utility began purchasing water from Milwaukee Water Works and $5,882,446 in assets, constructed as part of the GWA project, were donated to Milwaukee Water Works in 2023. Non-operating expenses increased by $2,895,000, due to an increase in interest expense from the GWA project and a one-time Infrastructure Enhancement Payment to the City of Milwaukee for the GWA project.

Capital contributions decreased in 2024 by $1,206,000 or 76.09% due to less developer-funded water projects being completed. In keeping with the negotiated schedule, the payment in lieu of taxes to the City decreased $190,000.

Capital contributions increased in 2023 by $1,254,000 or 378.85% due to more developer-funded water projects being completed and the receipt of a $530,000 ASAP EPA Grant. In keeping with the negotiated schedule, the payment in lieu of taxes to the City increased $157,000.

CASH FLOWS

The *Statement of Cash Flows,* illustrated in Table 3, reports the cash provided and used by operating activities, as well as other cash sources and uses derived from financing and investment activities.

Table 3
Condensed Statement of Cash Flows
2024, 2023, and 2022
(000's)

	2024	2023	2022	2024 v. 2023 Change		2023 v. 2022 Change	
Cash Flows From:							
Operating Activities	$ 13,665	$ 847	$ 8,644	$ 12,818	1,513.34 %	$ (7,797)	(90.20) %
Paid to Municipality - Tax Equivalent	(2,355)	(2,198)	(2,146)	(157)	(7.14)	(52)	(2.42)
Capital and Related Financing Activities	(5,979)	260	(12,759)	(6,239)	(2,399.62)	13,019	102.04
Investing Activities	2,542	2,192	778	350	15.97	1,414	181.75
Net Change in Cash and Equivalents	7,873	1,101	(5,483)	6,772	615.08	6,584	120.08
Cash and Equivalents Beginning of Year	37,699	36,598	42,081	1,101	3.01	(5,483)	(13.03)
Cash and Equivalents End of Year	$ 45,572	$ 37,699	$ 36,598	$ 7,873	20.88 %	$ 1,101	3.01 %

Year-end Cash and Equivalents increased by $7,873,000 in 2024 primarily due to an increase in water rates, which was granted by the Public Service Commission of Wisconsin (PSCW) effective October 1, 2023 and October 1, 2024. Investment income has also contributed to the increase in cash as interest rates have remained high for much of 2024.

Year-end Cash and Equivalents increased by $1,101,000 in 2023 primarily due to an increase in investment income. Interest rates continued to increase throughout 2023.

CAPITAL ASSETS

Table 4 summarizes the Utility's capital assets. Please refer to the *Notes to Financial Statements,* particularly the *Capital Assets* section of *Note 1 – Summary of Significant Accounting Policies* and *Note 5 – Changes in Capital Assets,* for further detail of the Utility's capital assets.

Table 4
Capital Assets
2024, 2023, and 2022
(000's)

	2024	2023	2022	2024 v. 2023 Change		2023 v. 2022 Change	
Land & Land Rights	$ 804	$ 804	$ 566	$ -	- %	$ 238	42.05 %
Intangible	453	447	436	6	1.34	11	2.52
Source of Supply	52,232	53,027	2,591	(795)	(1.50)	50,436	1,946.58
Pumping	33,348	31,961	10,224	1,387	4.34	21,737	212.61
Water Treatment	6,567	6,340	5,238	227	3.58	1,102	21.04
Transmission and Distribution	150,572	145,337	118,080	5,235	3.60	27,257	23.08
General	9,113	8,651	6,594	462	5.34	2,057	31.20
Total Capital Assets	253,089	246,566	143,729	6,523	2.65	102,837	71.55
Accumulated Depreciation	(50,137)	(45,567)	(42,215)	(4,570)	(10.03)	(3,352)	(7.94)
Construction in Progress	3,650	1,163	79,125	2,487	213.84	(77,962)	(98.53)
Net Capital Assets	$ 206,602	$ 202,162	$ 180,639	$ 4,440	2.20 %	$ 21,523	11.91 %

The Utility's capital assets increased by $6.5 million, or 2.65% in 2024. Increases in developer contributions totaled $379,065. The balance of the increase relates to projects financed by the Utility that were put into service (including those transferred out of construction in progress). $949,498 in assets were retired in 2024.

The Utility's capital assets increased by $102.8 million, or 71.55% in 2023. Increases in developer contributions, including the receipt of grant funds, totaled $1,585,616. The balance of the increase relates to the substantial completion of the GWA project and other routine projects financed by the Utility that were put into service (including those transferred out of construction in progress). $932,109 in assets were retired in 2023.

LONG-TERM DEBT

At the end of 2024, the Utility had revenue bonds of $125.0 million outstanding, which included $10.02 million in Safe Drinking Water (SDW) Loans issued in 2013, 2018 and 2019 and $115.0 million in Water Infrastructure Finance and Innovation Act (WIFIA) Loans issued in 2020, 2021, 2022, 2023 and 2024 through the U.S. Environmental Protection Agency. At the end of 2023, the Utility had revenue bonds of $119.8 million outstanding, which included $10.65 million in SDW Loans and $109.15 million in WIFIA Loans. The SDW and WIFIA loans were being used to finance capital improvement projects necessary to secure an alternate source of water. The Utility had General Obligation (GO) debt outstanding of $41.54 million in 2024 and $43.63 million in 2023. The debt originated from offerings issued in 2014, 2015, and 2016, along with debt refinancings in 2020, 2021, & 2022. The GO debt funded past routine capital replacements and Great Water Alliance improvements.

For further detail, please refer to *Note 7 – Long Term Obligations* in the *Notes for Financial Statements.*

ECONOMIC FACTORS AND FUTURE PLANNING

The Utility's service area is located in southeast Wisconsin. Waukesha County is the third largest county in the State. The service area was experiencing a commercial and residential boom prior to the economic down-turn in late 2008. The economy began to stabilize in 2012 and has continued to improve since. The Coronavirus Pandemic did have a short-term impact on the Utility's financials in 2020 and 2021, but the impact did lessen as the year progressed in 2022 and has recovered for the years 2023 and 2024.

The Utility maintains a five-year financial plan that focuses on identifying and implementing improvements. This plan coordinates with the City of Waukesha's Master Plan. Rate structures are reviewed on a consistent basis to ensure that customers are provided with high quality water, in the amounts they need and at a fair price. A residential inclining rate structure has been implemented in order to promote conservation.

Declining water levels and water quality, coupled with future water demand, have forced Waukesha to spend many years investigating an alternative water source. Through this investigation, Waukesha and the WDNR determined that Lake Michigan water was the most sustainable public water supply source. The Great Lakes-St. Lawrence River Basin Water Resources Council agreed, and unanimously approved Waukesha's application to borrow water from Lake Michigan on June 21, 2016. This long-term solution, known as the Great Water Alliance (GWA project), has required an unprecedented investment in infrastructure. Construction began in late 2020 and substantial completion (construction) for the GWA project was granted in 2023. The Utility transitioned from ground water to Lake Michigan surface water purchased from Milwaukee Water Works on October 9, 2023.

A new Utility Operations Center has been approved by the PSCW and construction will begin mid to late 2025. The old office and garage lack efficiencies, is not ADA compliant, and has safety concerns that have become too costly to correct. The estimated cost of the new facility is $25.4 million. Remaining WIFIA funds will be used to pay for the completion of the project.

CONTACTING UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If you have questions about this report or need additional information, you may contact Cortney Nagel, Administrative Services Manager, Waukesha Water Utility, 115 Delafield Street, P.O. 1648, Waukesha, Wisconsin 53187-1648, by phone at (262) 409-4426, or by email cnagel@waukesha-water.com.

Waukesha Water Utility

Statements of Net Position
December 31, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	$ 23,109,862	$ 16,295,632
Other special accounts	19,581,028	18,665,979
Restricted assets:		
Redemption account	2,881,083	2,737,848
Customer accounts receivable	3,526,817	3,200,496
Unbilled revenues	2,500,273	1,982,344
Other accounts receivable	21,629	4,212,429
Due from Municipality	589,809	515,278
Materials and supplies	510,935	552,584
Prepayments	216,923	142,857
Current portion of lease receivable	300,909	274,708
Total current assets	53,239,268	48,580,155
Noncurrent Assets		
Other assets:		
Preliminary survey and investigation	621	958,953
Lease receivable	3,043,252	3,344,161
Property held for future use	435,090	435,090
Capital assets:		
Plant in service	253,088,811	246,566,121
Accumulated depreciation/amortization	(50,136,893)	(45,566,784)
Construction work in progress	3,649,849	1,162,804
Total noncurrent assets	210,080,730	206,900,345
Total assets	263,319,998	255,480,500
Deferred Outflows of Resources		
Unamortized loss on advance refunding	358,168	455,977
Deferred outflows related to pension	1,693,598	2,548,067
Deferred outflows related to OPEB	792,513	939,281
Total deferred outflows of resources	2,844,279	3,943,325

See notes to the financial statements

Waukesha Water Utility

Statements of Net Position
December 31, 2024 and 2023

	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 1,016,578	$ 1,904,700
Due to Municipality	2,164,479	2,355,094
Due to sewer utility	3,789,782	3,740,884
Customer deposits	119,297	131,754
Accrued wages	101,376	51,657
Accrued interest	349,440	360,733
Accrued vacation leave	222,035	208,530
Current portion of lease liability	39,924	38,321
Conservation programs	86,062	112,472
Current portion of general obligation debt	2,850,000	2,085,000
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	758,437	631,410
Accrued interest	253,900	243,251
Total current liabilities	11,751,310	11,863,806
Noncurrent Liabilities		
General obligation debt	38,690,000	41,540,000
Revenue bonds	124,258,207	119,164,238
Lease liability	27,455	67,379
Accrued sick leave	419,748	393,068
Unamortized bond premium	1,398,948	1,510,267
Customer advances for construction	207,547	-
Other postemployment benefits liability	3,877,912	4,269,038
Net pension liability	184,612	675,450
Total noncurrent liabilities	169,064,429	167,619,440
Total liabilities	180,815,739	179,483,246
Deferred Inflows of Resources		
Deferred inflows related to pension	1,069,723	1,480,473
Deferred inflows related to OPEB	894,596	861,059
Deferred inflows related to leases	3,344,161	3,618,869
Total deferred inflows of resources	5,308,480	5,960,401
Net Position		
Net investment in capital assets	39,372,675	38,975,546
Restricted for:		
Debt service	2,627,183	2,494,597
Unrestricted	38,040,200	32,510,035
Total net position	$ 80,040,058	$ 73,980,178

See notes to the financial statements

Waukesha Water Utility

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Sales of water	$ 21,474,923	$ 14,792,609
Other	1,060,049	1,173,100
Total operating revenues	22,534,972	15,965,709
Operating Expenses		
Operation and maintenance	8,921,191	12,966,800
Depreciation	5,294,848	3,952,055
Total operating expenses	14,216,039	16,918,855
Operating Income (Loss)	8,318,933	(953,146)
Nonoperating Expenses		
Investment income	2,541,825	2,192,367
Income from merchandising and jobbing	2,177	6,948
Other nonoperating revenues	7,821	36,866
Gain on sale of assets	-	43,622
Interest expense	(2,950,129)	(2,800,256)
Amortization of premium	111,319	144,633
Amortization of loss on advance refunding	(97,809)	(97,809)
Debt issuance costs	(17,714)	(18,400)
Lobbying expense	(71,129)	(97,416)
Other nonoperating expense	-	(2,500,000)
Total nonoperating expenses	(473,639)	(3,089,445)
Income (loss) before contributions and transfers	7,845,294	(4,042,591)
Capital Contributions	379,065	1,585,616
Capital Contributions, Municipal	-	52,501
Transfers, Tax Equivalent	(2,164,479)	(2,355,094)
Change in net position	6,059,880	(4,759,568)
Net Position, Beginning	73,980,178	78,739,746
Net Position, Ending	$ 80,040,058	$ 73,980,178

See notes to the financial statements

Waukesha Water Utility

Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Received from customers	$ 21,733,881	$ 11,814,525
Paid to suppliers for goods and services	(6,051,783)	(9,016,511)
Paid to employees for operating payroll	(2,017,087)	(1,950,852)
Net cash flows from operating activities	13,665,011	847,162
Cash Flows From Noncapital Financing Activities		
Paid to Municipality for tax equivalent	(2,355,094)	(2,198,386)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(10,880,921)	(26,331,013)
Cost of removal of capital assets	(54,284)	(31,426)
Salvage on retirement of plant	49,377	161,544
Lease payments	(38,321)	(37,584)
Capital contributions received	4,777,412	-
Debt retired	(2,716,410)	(2,634,606)
Interest paid	(2,950,773)	(2,735,977)
Proceeds from debt issue	5,852,406	31,887,620
Debt issuance costs	(17,714)	(18,400)
Net cash flows from capital and related financing activities	(5,979,228)	260,158
Cash Flows From Investing Activities		
Investment income	2,541,825	2,192,367
Net change in cash and cash equivalents	7,872,514	1,101,301
Cash and Cash Equivalents, Beginning	37,699,459	36,598,158
Cash and Cash Equivalents, Ending	$ 45,571,973	$ 37,699,459
Noncash Capital and Related Financing Activities		
Contributed capital assets	$ -	$ 1,638,117
Amortization of premium	$ 111,319	$ 144,633
Amortization of loss on refunding	$ (97,809)	$ (97,809)

See notes to the financial statements

Waukesha Water Utility

Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities		
Operating income (loss)	$ 8,318,933	$ (953,146)
Nonoperating revenue (expense)	(61,131)	(2,553,602)
Noncash items in operating income (loss):		
Depreciation	5,294,848	3,952,055
Depreciation charged to clearing and other utilities	191,278	207,317
Amortization of preliminary survey and investigation	958,332	958,332
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer accounts receivable	(844,250)	(1,260,953)
Materials and supplies	41,649	(155,602)
Prepayments	(74,066)	52,378
Pension and OPEB asset (liability) and related deferrals	(257,940)	127,645
Conservation programs	(26,410)	6,797
Accounts payable	71,954	135,972
Customer deposits	(12,457)	(28,668)
Accrued liabilities	89,904	397,297
Due from/to Municipality/sewer	(25,633)	(38,660)
Net cash flows from operating activities	$ 13,665,011	$ 847,162
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts		
Cash and investments	$ 23,109,862	$ 16,295,632
Redemption account	2,881,083	2,737,848
Other special accounts	19,581,028	18,665,979
Cash and cash equivalents	$ 45,571,973	$ 37,699,459

See notes to the financial statements

1. Summary of Significant Accounting Policies

The financial statements of Waukesha Water Utility (the Utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. 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 Waukesha (Municipality). The Utility is managed by a utility commission. The Utility provides water service to properties within the Municipality.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW).

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

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

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

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

The Utility has adopted an investment policy. That 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. Market values may have changed significantly after year end.

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 accounts is considered necessary.

Materials and Supplies

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

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.

Other Special Accounts

This account consists of investments set aside for various capital projects and payment of the Utility tax equivalent as follows:

	2024	2023
Equipment replacement account	$ 16,535,589	$ 15,558,111
Tax equivalent account	3,045,439	3,107,868
Total	$ 19,581,028	$ 18,665,979

Prepayments

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project. or is amortized over a useful life established by the PSCW. The Utility amortized $958,332 in 2024 and 2023.

Property Held for Future Use

This balance represents the value of land and water rights not currently in service but held for future use in operations.

Capital Assets

Capital assets including right-to-use lease assets, are generally defined by the Utility as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Capital assets of the Utility are recorded at cost or the estimated acquisition value at the time of contribution to the Utility. Major outlays for Utility plant are capitalized as projects are constructed. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	Years
Water Plant:	
Source of supply	34-55
Pumping	23-31
Water treatment	30-31
Transmission and distribution	18-77
General	4-34

Lease assets are typically amortized over the lease term.

Pensions

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; and
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and OPEB expense, the City of Waukesha OPEB Health Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The fiduciary net position of the Local Retiree Life Insurance Fund (LRIF) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net OPEB Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB; and
- OPEB Expense (Revenue).

Information about the fiduciary net position of the LRIF and additions to/deductions from LRIF's fiduciary net position have been determined on the same basis as they are reported by LRIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Accrued Vacation and Sick Leave

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the Utility.

Customer Advances for Construction

The balance represents fees collected for future capital improvements. The fees may be refundable based on rules filed with the PSCW or statutory requirements.

Customer Deposits

This account represents amounts deposited with the utilities by customers as security for payments of bills.

Conservation Programs

The balance represents the net of amounts spent on PSCW approved programs less the amount authorized in customer rates. The difference is carried from year to year and will be factored into future water rate cases.

Long-Term Obligations

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

Leases

The Utility is a lessor because it leases capital assets to other entities. As a lessor, the Utility reports a lease receivable and 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 capital assets from other entities. As a lessee, the Utility reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) in the financial statements.

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 the Utility's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The Utility does accrue revenues beyond billing dates.

Current water rates were approved by the PSCW effective October 1, 2024.

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.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

When they become effective, application of these standards may restate portions of these financial statements.

Comparative Data

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

2. Deposits and Investments

	Carrying Value as of December 31,		
	2024	2023	Risks
Checking, savings and sweep	$ 4,687,301	$ 2,002,045	Custodial credit risk
Local Government Investment Pool	40,883,466	35,696,338	Credit risk
Petty cash	1,206	1,076	N/A
Total	$ 45,571,973	$ 37,699,459	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of $1,000,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities.

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.

In addition, the Utility has collateral or depository insurance agreements in the amount of $6,206,638 and $5,752,002 at December 31, 2024 and 2023, respectively.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2024 and 2023, the fair value of the LGIP's assets were substantially equal to the Utility's share.

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.

Custodial Credit Risk

Deposits

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

The Utility maintains certain deposits in the same institutions as the Municipality. The following is a summary of the Utility's total deposit balances at these institutions.

	2024		2023	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Waukesha State Bank	$ 4,928,976	$ 4,588,743	$ 3,300,864	$ 1,958,689
Chase Bank	98,558	98,558	43,356	43,356
Total	$ 5,027,534	$ 4,687,301	$ 3,344,220	$ 2,002,045

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 does not have any investments exposed to custodial credit risk.

The Utility's investment policy does not address this risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

The Utility held investments in the Local Government Investment Pool which is an external pool that is not rated.

The Utility's investment policy does not address this risk.

3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ended December 31, 2024 and 2023:

		2024		2023	
Due To	**Due From**	**Amount**	**Principal Purpose**	**Amount**	**Principal Purpose**
Water Utility	Municipality	$ 589,809	Capital project	$ 515,278	Capital project
Municipality	Water Utility	2,164,479	Tax equivalent	2,355,094	Tax equivalent
Sewer Utility	Water Utility	3,789,782	Amounts billed for sewer utility	3,740,884	Amounts billed for sewer utility

The following is a schedule of transfer balances for the years ended December 31, 2024 and 2023:

		2024		2023	
To	**From**	**Amount**	**Principal Purpose**	**Amount**	**Principal Purpose**
Municipality	Water Utility	$ 2,164,479	Tax equivalent	$ 2,355,094	Tax equivalent

4. Restricted Assets

Restricted Accounts

Certain proceeds of the Utility's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

Restricted Net Position

The following calculation supports the amount of water restricted net position:

	2024	2023
Restricted assets:		
Redemption account	$ 2,881,083	$ 2,737,848
Current liabilities payable from restricted assets	(253,900)	(243,251)
Total restricted net position as calculated	$ 2,627,183	$ 2,494,597

The purpose of the restricted net position is as follows:

	2024	2023
Debt service	$ 2,627,183	$ 2,494,597
Total restricted net position	$ 2,627,183	$ 2,494,597

5. Changes in Capital Assets

Water Utility

A summary of changes in water capital assets for 2024 follows:

	Balance 1/1/24	Increases	Decreases	Balance 12/31/24
Capital assets, not being depreciated:				
Land and land rights	$ 803,804	$ -	$ 208	$ 803,596
Intangible	233,797	5,738	-	239,535
Total capital assets not being depreciated	1,037,601	5,738	208	1,043,131
Capital assets being depreciated:				
Lease assets	212,994	-	-	212,994
Source of supply	53,027,080	-	795,463	52,231,617
Pumping	31,960,727	1,440,786	53,500	33,348,013
Water treatment	6,340,073	238,454	11,151	6,567,376
Transmission and distribution	145,336,772	6,037,245	801,719	150,572,298
General	8,650,874	783,080	320,572	9,113,382
Total capital assets being depreciated	245,528,520	8,499,565	1,982,405	252,045,680
Total capital assets	246,566,121	8,505,303	1,982,613	253,088,811
Less accumulated depreciation:				
Lease assets	(107,294)	(38,321)	-	(145,615)
Source of supply	(2,327,615)	(920,191)	-	(3,247,806)
Pumping	(5,001,355)	(1,173,823)	53,501	(6,121,677)
Water treatment	(3,409,517)	(282,724)	11,151	(3,681,090)
Transmission and distribution	(30,020,186)	(2,636,064)	618,559	(32,037,691)
General	(4,700,817)	(522,769)	320,572	(4,903,014)
Total accumulated depreciation	(45,566,784)	(5,573,892)	1,003,783	(50,136,893)
Construction in progress	1,162,804	2,487,045	-	3,649,849
Net capital assets	$ 202,162,141			$ 206,601,767

A summary of changes in water capital assets for 2023 follows:

	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Capital assets, not being depreciated:				
Land and land rights	$ 565,558	$ 238,744	$ 498	$ 803,804
Intangible	222,655	11,142	-	233,797
Total capital assets not being depreciated	788,213	249,886	498	1,037,601
Capital assets being depreciated:				
Lease asset	212,994	-	-	212,994
Source of supply	2,591,773	50,435,307	-	53,027,080
Pumping	10,224,371	21,959,421	223,065	31,960,727
Water treatment	5,237,935	1,105,873	3,735	6,340,073
Transmission and distribution	118,079,531	27,704,723	447,482	145,336,772
General	6,594,326	2,313,877	257,329	8,650,874
Total capital assets being depreciated	142,940,930	103,519,201	931,611	245,528,520
Total capital assets	143,729,143	103,769,087	932,109	246,566,121
Less accumulated depreciation:				
Lease asset	(69,710)	(37,584)	-	(107,294)
Source of supply	(1,854,182)	(473,433)	-	(2,327,615)
Pumping	(4,451,360)	(773,060)	223,065	(5,001,355)
Water treatment	(3,170,451)	(242,801)	3,735	(3,409,517)
Transmission and distribution	(28,142,574)	(2,356,520)	478,908	(30,020,186)
General	(4,526,666)	(431,480)	257,329	(4,700,817)
Total accumulated depreciation	(42,214,943)	(4,314,878)	963,037	(45,566,784)
Construction in progress	79,124,461	47,581,263	125,542,920	1,162,804
Net capital assets	$180,638,661			$202,162,141

Additional disclosures of the lease assets are included in the Lease Disclosure note.

6. Lease Disclosures

Lessee - Lease Assets

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Water Utility				
Lease assets being amortized:				
Easement, leased	$ 212,994	$ -	$ -	$ 212,994
Total lease assets being amortized	212,994	-	-	212,994
Less accumulated amortization for lease assets:				
Easement, leased	(107,294)	(38,321)	-	(145,615)
Total accumulated amortization	(107,294)	(38,321)	-	(145,615)
Total lease assets, net of accumulated amortization	$ 105,700	$ (38,321)	$ -	$ 67,379

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Water Utility				
Lease assets being amortized:				
Easement, leased	$ 212,994	$ -	$ -	$ 212,994
Total lease assets being amortized	212,994	-	-	212,994
Less accumulated amortization for lease assets:				
Easement, leased	(69,710)	(37,584)	-	(107,294)
Total accumulated amortization	(69,710)	(37,584)	-	(107,294)
Total lease assets, net of accumulated amortization	$ 143,284	$ (37,584)	$ -	$ 105,700

Lessee - Lease Liabilities

Lease Liabilities Description	Date of Contract	Final Maturity	Interest Rates	Balance 12/31/24
Water tower easement	2012	2027	2.15%	$ 46,719
Water tower easement	2011	2025	2.15	20,660
Total lease liabilities				$ 67,379

Future minimum lease payments are as follows:

Years	Principal	Interest	Total
2025	$ 39,924	$ 1,447	$ 41,371
2026	20,488	590	21,078
2027	6,967	150	7,117
Total	$ 67,379	$ 2,187	$ 69,566

Lessor - Lease Receivables

Lease Receivables Description	Date of Inception	Final Maturity	Interest Rates	Receivable Balance 12/31/24	Receivable Balance 12/31/23
Water tower lease	2015	2044	2.15%	$ 1,255,989	$ 1,273,183
Water tower lease	2012	2026	2.15	86,515	128,413
Water tower lease	2012	2027	2.15	116,796	162,034
Water tower lease	2015	2030	2.15	271,324	307,455
Water tower lease	2015	2030	2.15	265,195	301,454
Water tower lease	2015	2030	2.15	265,195	301,454
Water tower lease	2011	2025	2.15	51,651	102,216
Water tower lease	2023	2053	3.03	1,031,496	1,042,660
Total activities				$ 3,344,161	$ 3,618,869

The Utility recognized $274,708 and $256,171 of lease revenue during 2024 and 2023, respectively.

The Utility recognized $86,907 and $60,820 of interest revenue during 2024 and 2023, respectively.

7. Long-Term Obligations

Revenue Debt - Direct Placement

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/24
05/07/2013	Capital Improvements	05/01/2033	2 %	$ 1,117,601	$ 557,174 *
04/08/2014	Capital Improvements	05/01/2038	2	679,774	501,575 *
05/12/2015	Capital Improvements	03/27/2038	2	8,863,261	6,840,845 *
05/10/2016	Capital Improvements	05/01/2039	2	2,333,343	2,118,788 *
12/03/2020	Capital Improvements (WIFIA Loan)	05/06/2058	1	137,100,000	114,998,262 *

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

Revenue bonds debt service requirements to maturity follows:

Years Ending December 31:	Revenue Debt - Direct Placement Principal	Revenue Debt - Direct Placement Interest
2025	$ 758,437	$ 1,518,183
2026	770,696	1,504,654
2027	783,190	1,490,039
2028	1,600,910	1,471,182
2029	1,958,882	1,445,408
2030-2034	10,504,896	6,790,789
2035-2039	11,201,605	6,025,522
2040-2044	21,320,678	5,099,138
2045-2049	25,564,114	3,681,317
2050-2054	27,335,087	2,147,774
2055-2058	23,218,149	543,130
Total	$ 125,016,644	$ 31,717,136

All Utility revenues net of specified operating expenses net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2024 and 2023 were $2,130,978 and $1,871,131, respectively. Total customer gross revenues as defined for the same periods were $25,086,795 and $18,201,890. Annual principal and interest payments are expected to require 18% of gross revenues on average.

General Obligation Debt

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/24
04/08/2014	2014 G.O. Refunding Bonds	10/01/2033	2 %	$ 4,600,000	$ -
05/12/2015	2015 G.O. Refunding Bonds	10/01/2034	2	5,415,000	3,750,000
05/10/2016	2016 G.O. Refunding Bonds	10/01/2035	3	6,280,000	4,920,000
12/03/2020	2020 G.O. Refunding Bonds	10/01/2033	2	9,050,000	7,475,000
04/20/2021	2021 G.O. Refunding Bonds	10/01/2040	2	8,120,000	7,920,000
10/20/2022	2022 G.O. Refunding Bonds	10/01/2042	5	17,475,000	17,475,000

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

General obligation bonds debt service requirements to maturity follows:

Years Ending December 31:	Bonds Principal	Bonds Interest
2025	$ 2,850,000	$ 1,397,761
2026	2,930,000	1,322,151
2027	3,015,000	1,237,579
2028	2,310,000	1,120,969
2029	2,055,000	1,038,989
2030-2034	11,005,000	4,173,934
2035-2039	13,095,000	2,128,581
2040-2042	4,280,000	243,919
Total	$ 41,540,000	$ 12,663,883

Long-Term Obligations Summary

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

	1/1/24 Balance	Additions	Reductions	12/31/24 Balance	Due Within One Year
Revenue bonds	$119,795,648	$ 5,852,406	$ 631,410	$125,016,644	$ 643,439
General obligation debt	43,625,000	-	2,085,000	41,540,000	2,850,000
Accrued sick leave	393,068	26,680	-	419,748	-
Customer advances for construction	-	207,547	-	207,547	-
Lease liability	105,700	-	38,321	67,379	39,924
Other postemployment benefits liability	4,269,038	-	391,126	3,877,912	-
Unamortized premium on debt	1,510,267	-	111,319	1,398,948	-
Net pension liability	675,450	-	490,838	184,612	-
Total	$170,374,171	$ 6,086,633	$ 3,748,014	$172,712,790	$ 3,533,363

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

	1/1/23 Balance	Additions	Reductions	12/31/23 Balance	Due Within One Year
Revenue bonds	$ 88,527,634	$ 31,887,620	$ 619,606	$119,795,648	$ 631,410
General obligation debt	45,640,000	-	2,015,000	43,625,000	2,085,000
Accrued sick leave	-	393,068	-	393,068	-
Lease liability	143,284	-	37,584	105,700	38,321
Other postemployment benefits liability	4,442,722	-	173,684	4,269,038	-
Unamortized premium on debt	1,654,900	-	144,633	1,510,267	-
	-	675,450	-	675,450	-
Total	$140,408,540	$ 32,956,138	$ 2,990,507	$170,374,171	$ 2,754,731

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the revenue bonds:

Insurance

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.

The Utility is covered under the following insurance policies at December 31, 2024:

Type		Coverage
General liability	$ 10,000,000	Each occurrence
Automobile	10,000,000	

Debt Coverage

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.1 times the subsequent year debt service in 2024 and 2023, respectively. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2024 and 2023 as follows:

	2024	2023
Operating revenues	$ 22,534,972	$ 15,965,709
Investment income	2,541,825	2,192,367
Miscellaneous nonoperating income	2,177	6,948
Other nonoperating revenues	7,821	36,866
Less operation and maintenance expenses	(8,921,191)	(12,966,800)
Net defined earnings	$ 16,165,604	$ 5,235,090
Minimum required earnings per resolution:		
2013 SDWLP rev bonds subsequent year debt service	$ 67,467	$ 67,477
2018 SDWLP rev. bonds subsequent year debt service	40,757	40,762
2019B SDWLP rev. bonds subsequent year debt service	560,027	560,109
2019E SDWLP rev. bonds subsequent year debt service	159,573	159,589
2020 WIFIA rev. bonds subsequent year debt service	1,448,796	1,264,571
Subtotal	2,276,620	2,092,508
Coverage factor	1.10	1.10
Minimum required earnings	$ 2,504,282	$ 2,301,759
Actual debt coverage	7.10	2.50

Number of Customers and Billed Volumes - Water

The Utility has the following number of customers and billed volumes for 2024 and 2023:

	Customers		Sales (000 gals)	
	2024	2023	2024	2023
Residential	18,338	18,215	794,426	836,436
Multifamily residential	947	953	340,635	348,731
Commercial	1,271	1,271	317,790	323,948
Industrial	143	142	136,073	132,963
Public authority	112	117	54,143	58,452
Irrigation	174	163	5,520	9,219
Total	20,985	20,861	1,648,587	1,709,749

WIFIA Loan

On August 6, 2020, the Utility closed on a $137,100,000 revenue debt issue through the Water Infrastructure Financing and Innovation Act (WIFIA) with the U.S. Environmental Agency. The loan will finance capital assets that will bring a new water supply to Waukesha, as noted in Note 11. For the years ended December 31, 2024, and 2023, the total amount of loan available for future project costs were reported at $22,101,739 and $27,954,145, respectively.

8. 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 are 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 - This component of net position consists of net positions that do 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.

The following calculation supports the water construction funds:

	2024	2023
Plant in service	$ 253,088,811	$ 246,566,121
Accumulated depreciation/amortization	(50,136,893)	(45,566,784)
Property held for future use	435,090	435,090
Construction work in progress	3,649,849	1,162,804
	207,036,857	202,597,231
Less capital related debt:		
Current portion of capital related long-term debt	2,850,000	2,085,000
Long-term portion of capital related long-term debt	38,690,000	41,540,000
Revenue bonds	125,016,644	119,795,648
Lease liability	67,379	105,700
Preliminary survey and investigation funded with borrowing	(621)	(958,953)
Unamortized premium	1,398,948	1,510,267
Deferred outflows of resources	(358,168)	(455,977)
Subtotal	167,664,182	163,621,685
Net investment in capital assets	$ 39,372,675	$ 38,975,546

9. 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 expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can be found using the link above.

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, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings and creditable service.

Final average earnings is the average of the participant's three highest earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupation employees) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Postretirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category was 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.

The WRS recognized $166,289 and $162,103 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates for the plan years reported as of December 31, 2024 and December 31, 2023 are:

	2024		2023	
	Employee	**Employer**	**Employee**	**Employer**
General (including Executives and Elected Officials)	6.80 %	6.80 %	6.50 %	6.50 %
Protective with Social Security	6.80	13.20	6.50	12.00
Protective without Social Security	6.80	18.10	6.50	16.40

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

At December 31, 2024, the Utility reported a liability (asset) of $184,612 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 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 City of Waukesha's proportion was 0.370687%, which was a decrease of 0.005195% from its proportion measured as of December 31, 2022.

At December 31, 2023, the Utility reported a liability (asset) of $675,450 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the City of Waukesha's proportion was 0.375882%, which was an increase of 0.002807% from its proportion measured as of December 31, 2021.

For the years ended December 31, 2024 and 2023, the Utility recognized pension expense (revenue) of $114,984 and $383,605, respectively.

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

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between projected and actual experience	$ 905,599	$ 1,066,781
Changes in assumption	103,251	-
Net differences between project and actual earnings on pension plan	516,864	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,595	2,942
Employer contributions subsequent to the measurement date	166,289	-
Total	$ 1,693,598	$ 1,069,723

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,223,596	$ 1,476,571
Changes in assumption	153,947	-
Net differences between project and actual earnings on pension plan	1,006,627	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,794	3,902
Employer contributions subsequent to the measurement date	162,103	-
Total	$ 2,548,067	$ 1,480,473

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) 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:

Years Ending December 31:	
2025	$ 93,589
2026	97,940
2027	383,793
2028	(117,736)
2029	-
Thereafter	-
Total	$ 457,586

Actuarial Assumptions

The total pension liability 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:

	2024	2023
Actuarial Valuation Date:	December 31, 2022	December 31, 2021
Measurement Date of Net Pension Liability (Asset):	December 31, 2023	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021	January 1, 2018 - December 31, 2020, Published November 19, 2021
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:		
Wage Inflation	3.0%	3.0%
Seniority/Merit	0.1%-5.6%	0.1%-5.6%
Mortality:	2020 WRS Experience Mortality Table	2020 WRS Experience Mortality Table
Postretirement Adjustments: *	1.7%	1.7%

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total pension liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the December 31, 2022 actuarial valuation. The total pension liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 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 geometric real rates of return for each major asset class as of December 31, 2024 are summarized in the following table:

Asset Allocation Targets and Expected Returns[1] as of December 31, 2023

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %[2]
Public Equity	40 %	7.3 %	4.5 %
Public Fixed Income	27	5.8	3.0
Inflation Sensitive	19	4.4	1.7
Real Estate	8	5.8	3.0
Private Equity/Debt	18	9.6	6.7
Leverage[3]	(12)	3.7	1.0
Total Core Fund[3]	100	7.4	4.6
Variable Fund Asset			
U.S. Equities	70	6.8	4.0
International Equities	30	7.6	4.8
Total Variable Fund	100	7.3	4.5

[1] Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.
[2] New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.7%.
[3] The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used subject to an allowable range of up to 20%.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2023 are summarized in the following table:

Asset Allocation Targets and Expected Returns[1] as of December 31, 2022

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %[2]
Public Equity	48 %	7.6 %	5.0 %
Public Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6
Private Equity/Debt	15	9.6	6.9
Total Core Fund[3]	115	7.4	4.8
Variable Fund Asset			
U.S. Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	100	7.7	5.1

[1] Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.
[2] New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.5%.
[3] 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% was used to measure the total pension liability as of December 31, 2024 and December 31, 2023. As of December 31, 2023, this discount rate was based on the expected rate of return on pension plan investments of 6.80% and a long term bond rate of 3.77%. As of December 31, 2022, the discount rate was based on the expected rate of return on pension plan investments of 6.80% and a long term bond rate of 4.05%. (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, 2023 and 2022, 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% expected rate of return implies that a dividend of approximately 1.7% 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.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

The sensitivity analysis as of December 31, 2024 follows:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Waukesha Water Utility's proportionate share of the net position liability (asset)	$ 1,784,366	$ 184,612	$ (934,803)

The sensitivity analysis as of December 31, 2023 follows:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Waukesha Water Utility's proportionate share of the net position liability (asset)	$ 2,241,798	$ 675,450	$ (402,062)

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.

10. Other Postemployment Benefits

General Information About the OPEB Plan

Plan Description

The Utility's defined benefit OPEB plan, Waukesha Water Retiree Benefits Plan Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the Utility. RBP is a single-employer defined benefit OPEB plan administered by the Utility. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Utility Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms

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

	2024	2023
Inactive plan members or beneficiaries currently receiving benefit payments	16	16
Active plan members	26	26
	42	42

Total OPEB Liability

At December 31, 2024, the Utility's total OPEB liability of $3,639,152 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date. At December 31, 2023, the Utility's total OPEB liability of $4,064,752 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2024	2023
Inflation	4.08%	3.26%
Salary increases	2.0%	2.0%
Healthcare cost trend rates	Entry age	Entry age
Retirees' share of benefit-related costs	6.60% for 2024, decreasing 0.2% every two years to an ultimate rate of 5.0%	6.0% for 2022, decreasing 0.5% every two years to an ultimate rate of 5.0%

The discount rate was based on Bond Buyer 20-Bond G.I. Index.

Mortality rates were based on the Wisconsin Retirement System Experience Study report dated November 19, 2021 with 50% of the MP-2021 Improvement Scale.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at January 1, 2023	$ 4,128,419
Changes for the year:	
Service cost	9,816
Interest	150,098
Differences between expected and actual experience	(47,969)
Changes in assumptions or other inputs	11,448
Benefit payments	(187,060)
Net changes	(63,667)
Balances at December 31, 2023	4,064,752
Changes for the year:	
Service cost	6,631
Interest	129,045
Changes in assumptions or other inputs	(348,662)
Benefit payments	(212,614)
Net changes	(425,600)
Balances at December 31, 2024	$ 3,639,152

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

As of December 31, 2024:

	1% Decrease (3.1%)	Discount Rate (4.1%)	1% Increase (5.1%)
Total OPEB liability	$ 4,071,588	$ 3,639,152	$ 3,277,263

As of December 31, 2023:

	1% Decrease (2.3%)	Discount Rate (3.3%)	1% Increase (4.3%)
Total OPEB liability	$ 4,593,361	$ 4,064,752	$ 3,626,826

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

As of December 31, 2024:

	1% Decrease (5.6% Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.6% Decreasing to 5.0%)	1% Increase (7.6% Decreasing to 6.0%)
Total OPEB liability	$ 3,241,070	$ 3,639,152	$ 4,108,519

As of December 31, 2023:

	1% Decrease (4.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (5.5% Decreasing to 4.5%)	1% Increase (6.5% Decreasing to 5.5%)
Total OPEB liability	$ 3,624,537	$ 4,064,752	$ 4,586,547

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2024 and 2023, the Utility recognized OPEB expense of $(17,793) and $66,456, respectively. At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,986	$ 212,879	$ 60,650	$ 292,847
Changes of assumptions or other inputs	641,654	553,674	776,319	421,842
Total	$ 693,640	$ 766,553	$ 836,969	$ 714,689

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 total 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:

Years Ending December 31:	
2025	$ (153,469)
2026	(104,854)
2027	15,109
2028	29,567
2029	46,062
Thereafter	94,672
Total	$ (72,913)

Local Retiree Life Insurance Fund (LRLIF)

Plan Description

The LRLIF is a multiple-employer, defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

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.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at the link above.

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan years reported as of December 31, 2024 and 2023 are:

Coverage Type	Employer Contribution
50% Postretirement Coverage	40% of member contribution
25% Postretirement Coverage	20% of member contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per $1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the plan year are as listed below:

Life Insurance Member Contribution Rates*
For the Plan Year

Attained Age	Basic	Supplemental
Under 30	$0.05	$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

* Disabled members under 70 receive a waiver-of-premium benefit.

The LRLIF recognized $1,058 and $1,077 in contributions from the employer during the current and prior reporting periods, respectively.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2024, the Utility reported a liability of $238,760 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 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 OPEB liability was based on the Utility's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2023, the Utility's proportion was 0.75089700%, which was an decrease of 0.03175400% from its proportion measured as of December 31, 2022.

At December 31, 2023, the Utility reported a liability of $204,286 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net OPEB liability was based on the Utility's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2022, the Utility's proportion was 0.78265100%, which was an increase of 0.02174900% from its proportion measured as of December 31, 2021.

For the years ended December 31, 2024 and 2023, the Utility recognized OPEB expense (revenue) of $16,748 and $20,436, respectively.

At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 21,588	$ -	$ 20,625
Net differences between projected and actual investment earnings on plan investments	80,592	94,823	79,945	122,448
Changes in actuarial assumptions	3,545	-	4,187	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,768	11,632	17,199	3,297
Employer contributions subsequent to the measurement date	968	-	981	-
Total	$ 98,873	$ 128,043	$ 102,312	$ 146,370

Deferred outflows related to OPEB resulting from the LRLIF 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 (revenue) as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2025	$ (1,114)
2026	1,511
2027	(6,524)
2028	(12,193)
2029	(12,984)
Thereafter	1,166
Total	$ (30,138)

Actuarial Assumptions

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2024	2023
Actuarial Valuation Date	January 1, 2023	January 1, 2022
Measurement Date of Net OPEB Liability (Asset)	December 31, 2023	December 31, 2022
Experience Study	January 1, 2018 - December 31, 2020, Published November 19, 2021	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield *	3.26%	3.72%
Long-Term Expected Rate of Return	4.25%	4.25%
Discount Rate:	3.32%	3.76%
Salary Increases:		
Wage Inflation	3.00%	3.00%
Seniority/Merit	0.10%-5.6%	0.10%-5.6%
Mortality	2020 WRS Experience Mortality Table	2020 WRS Experience Mortality Table

** Based on the Bond Buyers GO 20-Bond Municipal index.*

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 OPEB Liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the January 1, 2023 actuarial valuation. The Total OPEB Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 actuarial valuation.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

State OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2023

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	40%	2.32%
U.S. Mortgages	Bloomberg U.S. MBS	60	2.52
Inflation			2.30
Long-Term Expected Rate of Return			4.25

State OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2022

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	50%	2.45%
U.S. Mortgages	Bloomberg U.S. MBS	50	2.83
Inflation			2.30
Long-Term Expected Rate of Return			4.25

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate remained unchanged from the prior year at 2.30%.

Single Discount Rate

A single discount rate was used to measure the total OPEB liability (3.32% for 2024 and 3.76% for 2023). The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the Utility's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Utility's proportionate share of the net OPEB liability (asset) calculated using the discount rate, as well as what the Utility's proportionate share of the net OPEB 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 discount rate:

As of December 31, 2024:

	1% Decrease to Discount Rate (2.32%)	Current Discount Rate (3.32%)	1% Increase to Discount Rate (4.32%)
The Utility's proportionate share of the net OPEB liability (asset)	$ 320,806	$ 238,760	$ 176,131

As of December 31, 2023:

	1% Decrease to Discount Rate (2.76%)	Current Discount Rate (2.76%)	1% Increase to Discount Rate (4.76%)
The Utility's proportionate share of the net OPEB liability (asset)	$ 278,523	$ 204,286	$ 147,393

At December 31, 2024, the Utility reported a payable to the OPEB plan of $0, which represents contractually required contributions outstanding as of the end of the year.

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.

Compliance With Drinking Water Standards

Wisconsin, Department of Natural Resources vs. City of Waukesha Water Utility. Case No. 91-CV-1027 Circuit Court, Waukesha County, Wisconsin. case number 92-2530, Court of Appeals and Supreme Court of the State of Wisconsin. In that case the State requested judgment against the Utility for (1) an injunction requiring the Utility to bring its water supply system into compliance with Wisconsin Administrative Code No 109.50(1); (2) the forfeitures provided for in sections 144.99 Stats., for past violations of Wisconsin Administrative Code Sec. NR 109.50; (3) a penalty assessment pursuant to Sect. 165.87(2) (Stats.).

Although the Federal legislation underpinning EPA regulations of radionuclides had been renewed, the EPA examined the 1996 amendments to the Safe Drinking Water Act and took the position that the contaminant level (MCL) of 5 pCi/L of radium in drinking water for Ra 226 and Ra 228, combined. The EPA conducted a new rulemaking proceeding and published a Notice of Data Availability and concluded the rulemaking in 2000.

In December 2000, the EPA finalized its rule for radium 226 and 228. In response to this rule, the City of Waukesha, doing business as the City of Waukesha Water Utility, petitioned the United States Court of Appeals, District of Columbia Circuit, in Washington, D.C. to review the rule promulgated by the EPA. The case City of Waukesha, et al. v. EPA, 01 1028, was heard on November 20, 2002. On February 25, 2003 the United States Court of Appeals ruled in favor of the EPA. As such, the Municipality terminated the legal process and began negotiation with the Wisconsin Department of Natural Resources (WDNR) to develop a consent order/compliance agreement to bring the water supply into compliance with the radium standard. The Municipality entered into a consent order/compliance agreement with the WDNR on December 19, 2003, and immediately began working towards compliance.

The agreement required the Utility to develop new shallow wells, install treatment at some of the existing wells and blend the non compliant water with the compliant water to bring the water supply into compliance with the radium standards. The cost of the improvements was approximately thirteen million five hundred thousand dollars ($13,500,000). The Utility balanced the radium compliance projects with the other projects that were planned to become part of the long term water supply strategy.

On September 22, 2008 the City of Waukesha was referred to the Department of Justice for Alleged Violations of Consent Order #2003 SEEE 107, by not meeting the December 8, 2006 timeline for providing drinking water that meets the Safe Drinking Water Standards for Radium. The Waukesha Water Utility worked with its legal counsel and the City of Waukesha Attorney to negotiate a settlement with the Department of Justice.

A settlement was successfully negotiated and was filed with the Clerk of Circuit Court in Waukesha County on March 30, 2009. The agreement required the City of Waukesha Water Utility to pay a judgment comprised of forfeitures and fees in the amount of fifty-five thousand ($55,000). It also recognized the efforts the Utility made in regards to capital projects and water conservation. In addition, the Utility was allowed to operate under strict operating conditions until June 30, 2018. At that date, the city was to be in complete compliance with all federal and state drinking water radionuclide standards which require that the radionuclide-compliant water can be provided in the event of failure of the system's largest well. This may be accomplished by some combination of obtaining a new source of compliant water and by treating for radionuclide-removal and/or new sources of water. If the city fails to meet the strict operating guidelines before final compliance is accomplished, the city will be required to discontinue the supply of nonradionuclide-compliant water to the distribution system and shall meet state and federal radionuclide standards within three (3) years of such failure.

As a solution to the radionuclide issue, the City of Waukesha started an investigation of water supply alternatives. As a result, the City of Waukesha submitted an application for Great Lakes Water with the Wisconsin Department of Natural Resources (WDNR). This application was updated in October 2013.

In January 2016, the WDNR concluded that Waukesha had no reasonable water supply alternative and qualifies for water under the Great Lakes Compact. It submitted the City of Waukesha's proposal to borrow Lake Michigan water to the governors and premiers of the other Great Lakes states and provinces. On June 21, 2016 the Great Lakes-St. Lawrence River Basin Water Resources Council approved Waukesha's application to secure water from Lake Michigan.

On August 19, 2016 Great Lakes and St. Lawrence Cities Initiative submitted a request for a hearing and Compact Council consideration of their Final Decision in the matter of Application by the City of Waukesha, Wisconsin for a diversion of Great Lakes water.

In July 2017, the City of Waukesha and Wisconsin Department of Justice reached an agreement to extend its deadline for compliance with radium standards in drinking water to September 1, 2023.

Since then, the Waukesha Water Utility (Utility) hired a Program Manager to complete the related permitting and design, a Construction Manager to perform constructability reviews and manage construction activities and a construction audit firm to review the resulting financial transactions. Additionally, the Utility entered into three contracts to construction water infrastructure associated with the project. Construction began in January 2021.

Substantial completion for construction was issued in 2023 and on October 9, 2023, the Utility began the transition from ground water to surface water from Lake Michigan through Milwaukee Water Works. All customers were transitioned by the end of the day on October 14, 2023.

The DOJ and the Utility filed a satisfaction of judgment with the Clerk of Circuit Court on February 9, 2024. The judgment was listed as fully satisfied which means the Utility is now in compliance with all State and Federal drinking water radionuclide standards.

Construction Contract Dispute

S.J. Louis Construction, Inc., v. City of Waukesha, U.S. District Court, Eastern District of Wisconsin, case number 24-CV-272, filed February 29, 2024. Plaintiff seeks damages arising from numerous disputes in the construction of the return-flow pipeline and water supply pipeline for the Great Lakes water project. The Utility is not responsible for the return flow pipeline dispute, which is the larger portion of the construction dispute. Defense is being provided by an outside law firm with assistance from the City Attorney's office. The City will vigorously defend this lawsuit, and will assert any and all possible counterclaims. Although the City believes the claims have no merit, it is too early in the litigation to reliably evaluate any potential material adverse impact on the City.

Intergovernmental Agreement for Construction

On March 11, 2020, the City of Waukesha and City of New Berlin reached an agreement related to construction in New Berlin for Waukesha's Great Lakes water project. In the agreement, the City of Waukesha agreed to move construction of a booster pumping station and two (2) reservoirs, originally planned in the City of New Berlin, to property in Waukesha, while also paving portions of a roadway affected by Waukesha's construction and providing New Berlin access to fiber optic and water infrastructure for possible future use.

In return, the City of Waukesha will receive the necessary permits required to construct pipeline through the City of New Berlin in a timely manner and a total intergovernmental payment of $2.0 million. This amount will be paid in three annual payments from 2021 through 2023. With construction beginning, the first, second and third annual payment were received by the Waukesha Water Utility in 2021, 2022 and 2023, respectively.

12. Subsequent Events

The Utility evaluated subsequent events through June 16, 2025, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Waukesha Water Utility

Schedule of Changes in Total OPEB Liability and Related Ratios -
Health Insurance
Years Ended December 31, 2024 and 2023
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	$ 6,631	$ 9,816	$ 37,101	$ 32,691	$ 36,128	$ 41,084	$ 32,988	$ 35,013
Interest	129,045	150,098	99,468	137,955	142,201	109,623	137,865	135,768
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(47,969)	-	(468,268)	-	103,970	-	-
Changes in assumptions or other inputs	(348,662)	11,448	(735,480)	304,873	-	1,032,061	-	-
Benefit payments	(212,614)	(187,060)	(202,438)	(188,055)	(168,393)	(131,291)	(136,107)	(104,412)
Net Change in Total OPEB Liability	(425,600)	(63,667)	(801,349)	(180,804)	9,936	1,155,447	34,746	66,369
Total OPEB Liability, Beginning	4,064,752	4,128,419	4,929,768	5,110,572	5,100,636	3,945,189	3,910,443	3,844,074
Total OPEB Liability, Ending	$ 3,639,152	$ 4,064,752	$ 4,128,419	$ 4,929,768	$ 5,110,572	$ 5,100,636	$ 3,945,189	$ 3,910,443
Covered-Employee Payroll	$ 2,431,538	$ 2,383,861	$ 2,319,502	$ 2,320,086	$ 2,233,436	$ 2,276,756	$ 2,233,038	$ 2,118,960
Total OPEB Liability as a Percentage of Covered-Employee Payroll	149.66%	170.51%	177.99%	212.48%	228.82%	224.03%	176.67%	184.55%

No assets were accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

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

Schedule of Proportionate Share of the Net OPEB Liability (Asset) -
Local Retiree Life Insurance Fund (LRLIF)
Years Ended December 31, 2024 and 2023
(Unaudited)

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

WRS Year End Date	Proportion of the Net OPEB Liability (Asset) - City	Utility's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
12/31/24	0.75089700%	$ 238,760	$ 2,383,862	10.02%	38.81%
12/31/23	0.78265100%	204,286	2,319,502	8.81%	38.81%
12/31/22	0.76090200%	314,303	2,300,885	13.66%	29.57%
12/31/21	0.70803600%	244,331	2,264,947	10.79%	31.36%
12/31/20	0.72975400%	238,586	2,253,048	10.59%	37.58%
12/31/19	0.73424800%	139,353	2,184,218	6.38%	48.69%
12/31/18	0.72034700%	159,404	2,145,520	7.43%	44.81%

Schedule of Employer Contributions - OPEB
Local Retiree Life Insurance Fund (LRLIF)
Years Ended December 31, 2024 and 2023

Fiscal Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/24	$ 1,029	$ 1,029	$ -	$ 2,409,984	0.04%
12/31/23	972	972	-	2,383,862	0.04%
12/31/22	1,111	1,111	-	2,319,502	0.05%
12/31/21	1,073	1,073	-	2,300,885	0.05%
12/31/20	887	887	-	2,264,947	0.04%
12/31/19	1,111	1,111	-	2,253,048	0.05%
12/31/18	1,044	1,044	-	2,184,218	0.05%

See notes to required supplementary information

Waukesha Water Utility

Schedule of Proportionate Share of the Net Pension Liability (Asset) -
Wisconsin Retirement System
Years Ended December 31, 2024 and 2023
(Unaudited)

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

WRS Year End Date	Proportion of the Net Pension Liability (Asset) - City	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 Total Pension Liability
12/31/24	0.37068742%	$ 184,612	$ 2,401,526	7.69%	98.85%
12/31/23	0.37588175%	675,450	2,319,502	29.12%	95.72%
12/31/22	0.37307520%	(1,071,154)	2,300,885	46.55%	106.02%
12/31/21	0.37138155%	(818,011)	2,264,947	36.12%	105.26%
12/31/20	0.36307909%	(437,465)	2,253,044	19.42%	102.96%
12/31/19	0.35375569%	478,201	2,184,218	21.89%	96.45%
12/31/18	0.34296598%	(403,325)	2,145,520	18.80%	102.93%
12/31/17	0.33494529%	120,942	2,171,284	5.57%	99.12%
12/31/16	0.33038575%	225,396	1,979,742	11.39%	98.20%
12/31/15	0.33058285%	(344,769)	1,956,957	17.62%	102.74%

Schedule of Employer Contributions - Wisconsin Retirement System
Years Ended December 31, 2024 and 2023

Fiscal Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/24	$ 166,289	$ 166,289	$ -	$ 2,463,541	6.75%
12/31/23	162,103	162,103	-	2,401,526	6.75%
12/31/22	150,768	150,768	-	2,319,502	6.50%
12/31/21	155,310	155,310	-	2,300,885	6.75%
12/31/20	152,885	152,885	-	2,264,947	6.75%
12/31/19	147,575	147,575	-	2,253,044	6.55%
12/31/18	146,343	146,343	-	2,184,218	6.70%
12/31/17	145,898	145,898	-	2,145,520	6.80%
12/31/16	143,305	143,305	-	2,171,284	6.60%
12/31/15	134,622	134,622	-	1,979,742	6.80%

See notes to required supplementary information

Health Insurance

Actuarial valuation date for December 31, 2024 is as of January 1, 2024.

Methods and assumptions used to determine the total OPEB liability:

Actuarial cost method	Entry age normal
Asset valuation	Fair market value
Inflation	2.25%
Healthcare cost trend rates	6.60% in 2024, decreasing 0.20% every year to an ultimate rate of 5.00%
Salary increases	2.0%, average, including inflation
Investment rate of return	4.08%
Retirement age	Expected retirement ages of employees were developed from a 2021 Experience Study
Mortality	Wisconsin 2021 WRS Experience Mortality Table

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

Local Retiree Life Insurance Fund (LRLIF)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Utility is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Local Retiree Life Insurance Fund (LRLIF).
Changes in assumptions.

	2018	2019	2020	2021	2022	2023	2024
20 Year tax-exempt municipal bond yield	3.4%	4.1%	2.7%	2.1%	2.1%	3.7%	3.3%
Salary increases							
Inflation	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Seniority/Merit	0.2%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.2%-5.6%	0.2%-5.5%	0.2%-5.5%
Mortality (Wisconsin)	2012 Mortality Table	2018 Mortality Table	2018 Mortality Table	2018 Mortality Table	Wisconsin 2020 WRS Experience Mortality Table	Wisconsin 2020 WRS Experience Mortality Table	Wisconsin 2020 WRS Experience Mortality Table
Discount rate	3.63%	4.22%	2.87%	2.25%	2.17%	3.76%	3.32%

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

Wisconsin Retirement System

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

	2015-2018	2019-2021	2022-2024
Long-term expected rate of return	7.2%	7.0%	6.8%
Discount rate	7.2%	7.0%	6.8%
Salary increases			
Inflation	3.2%	3.0%	3.0%
Seniority/Merit	0.2%-5.6%	0.1%-5.6%	0.1%-5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table	Wisconsin 2020 WRS Experience Mortality Table
Postretirement adjustments	2.10%	1.90%	1.70%

SUPPLEMENTARY INFORMATION

Waukesha Water Utility

Water Utility Plant
Year Ended December 31, 2024

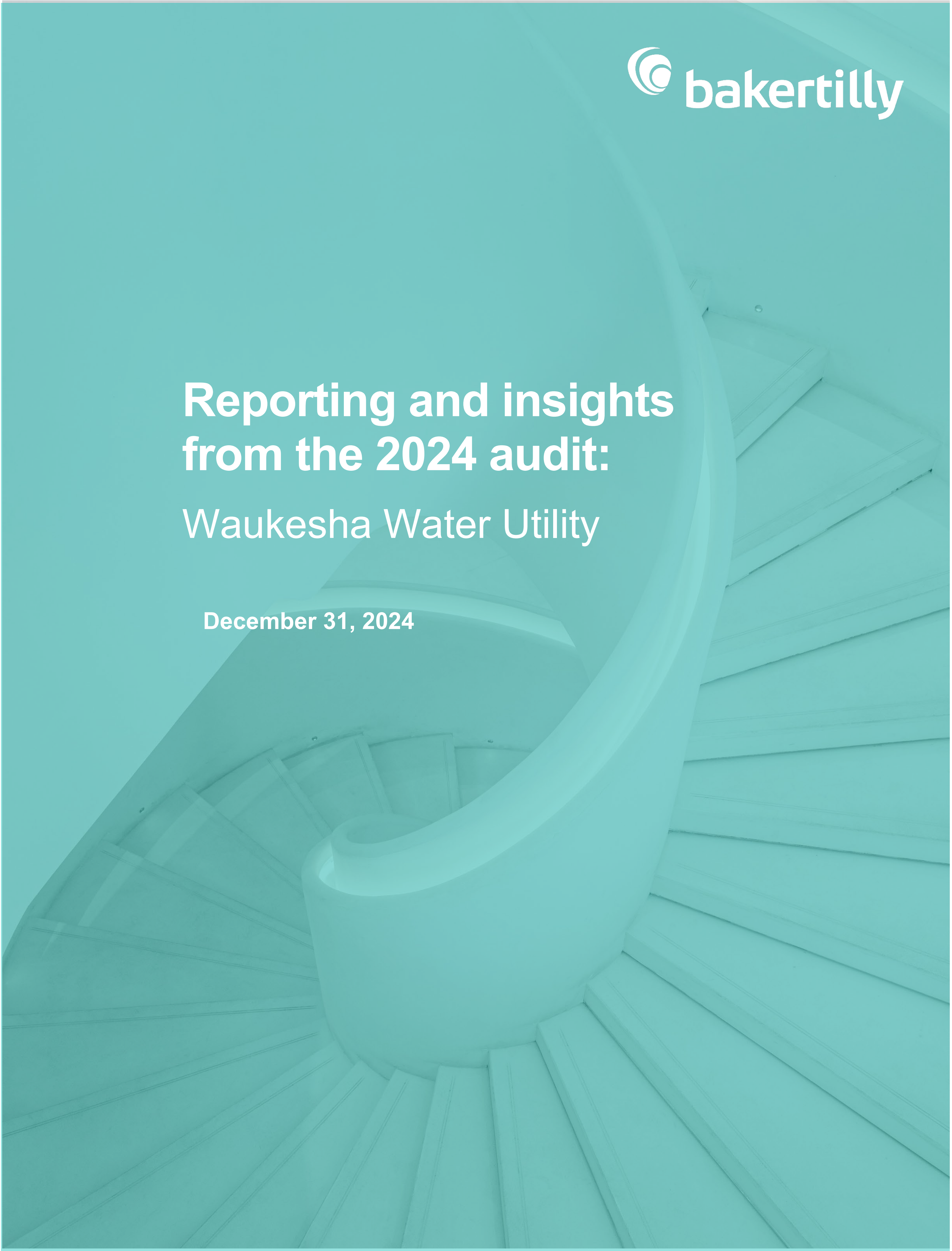
	Balance 1/1/24	Additions	Retirements	Adjustments	Balance 12/31/24
Intangible					
Lease assets	$ 212,994	$ -	$ -	$ -	$ 212,994
Miscellaneous intangible plant	233,797	5,738	-	-	239,535
Total intangible	446,791	5,738	-	-	452,529
Source of Supply					
Land and land rights	204,127	-	-	-	204,127
Wells and springs	1,507,630	-	-	-	1,507,630
Supply mains	51,519,450	-	-	(795,463)	50,723,987
Total source of supply	53,231,207	-	-	(795,463)	52,435,744
Pumping					
Land and land rights	420,414	-	-	(208)	420,206
Structures and improvements	21,401,355	1,074,711	-	-	22,476,066
Electric pumping equipment	10,559,372	366,075	53,500	-	10,871,947
Total pumping	32,381,141	1,440,786	53,500	(208)	33,768,219
Water Treatment					
Structures and improvements	2,785,733	-	-	-	2,785,733
Water treatment equipment	3,554,340	238,454	11,151	-	3,781,643
Total water treatment	6,340,073	238,454	11,151	-	6,567,376
Transmission and Distribution					
Land and land rights	110,083	-	-	-	110,083
Distribution reservoirs and standpipes	26,323,630	889,757	-	-	27,213,387
Transmission and distribution mains	88,609,912	3,480,022	225,902	-	91,864,032
Services	17,254,863	677,434	57,021	-	17,875,276
Meters	4,247,215	485,665	242,153	(237,445)	4,253,282
Hydrants	8,901,152	504,367	39,198	-	9,366,321
Total transmission and distribution	145,446,855	6,037,245	564,274	(237,445)	150,682,381
General					
Land and land rights	69,180	-	-	-	69,180
Structures and improvements	2,392,821	-	-	-	2,392,821
Office furniture and equipment	193,671	-	-	-	193,671
Computer equipment	583,460	48,844	21,177	-	611,127
Transportation equipment	1,112,066	491,006	200,190	-	1,402,882
Stores equipment	9,764	-	-	-	9,764
Tools, shop and garage equipment	443,987	-	99,205	-	344,782
Laboratory equipment	5,842	-	-	-	5,842
Power-operated equipment	1,088,292	-	-	-	1,088,292
Communication equipment	64,714	-	-	-	64,714
SCADA equipment	2,756,257	243,230	-	-	2,999,487
Total general	8,720,054	783,080	320,572	-	9,182,562
Total water utility plant	$ 246,566,121	$ 8,505,303	$ 949,497	$ (1,033,116)	$ 253,088,811

Waukesha Water Utility

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Sales of water:		
Metered:		
Residential	$ 8,969,730	$ 6,354,899
Multifamily residential	3,347,993	2,101,906
Commercial	3,090,095	1,977,194
Industrial	1,143,692	777,816
Public authorities	530,887	352,120
Irrigation	106,303	94,752
Total metered sales	17,188,700	11,658,687
Private fire protection	528,720	334,272
Public fire protection	3,757,503	2,799,650
Total sales of water	21,474,923	14,792,609
Other operating revenues:		
Forfeited discounts	173,094	131,635
Rents from water property	236,350	258,541
Other	650,605	782,924
Total operating revenues	22,534,972	15,965,709
Operating Expenses		
Operation and maintenance:		
Source of supply:		
Purchased water	2,987,711	733,800
Miscellaneous	958,332	958,332
Maintenance:		
Supervision and engineering	12,090	17,419
Total source of supply	3,958,133	1,709,551
Pumping:		
Operation supervision and engineering	20,311	22,062
Fuel or purchased power for pumping	393,822	745,763
Pumping labor	45,536	36,071
Miscellaneous	36,531	32,188
Maintenance:		
Supervision and engineering	20,644	21,067
Structures and improvements	72,026	71,566
Pumping equipment	53,549	143,346
Total pumping	642,419	1,072,063
Water treatment:		
Operation supervision and engineering	20,660	13,281
Chemicals	83,317	229,750
Operation labor	149,649	325,528
Miscellaneous	408	408
Maintenance:		
Water treatment equipment	34,494	22,638
Total water treatment	288,528	591,605

	2024	2023
Transmission and distribution:		
Operation supervision and engineering	$ 21,897	$ 10,382
Storage facilities	9,629	10,952
Transmission and distribution lines	129,335	130,314
Meters	47,151	54,852
Customer installations	102,337	99,926
Miscellaneous	122,091	176,927
Maintenance:		
Supervision and engineering	32,176	26,919
Reservoirs and standpipes	15,967	(65)
Fire mains	877,557	442,163
Services	72,747	272,002
Meters	3,055	5,262
Hydrants	37,483	38,941
Miscellaneous	72,099	41,503
Total transmission and distribution	1,543,524	1,310,078
Customer accounts:		
Supervision	7,591	6,815
Meter reading	33,706	29,288
Accounting and collecting labor	256,145	212,919
Uncollectible accounts	8,154	(1,806)
Miscellaneous	9,298	8,864
Total customer accounts	314,894	256,080
Sales	383,779	5,904,285
Administrative and general:		
Salaries	197,792	164,779
Office supplies	91,700	79,768
Outside services employed	168,564	43,089
Property insurance	96,278	78,378
Injuries and damages	28,610	21,962
Employee pensions and benefits	624,784	1,307,546
Regulatory commission	72,181	17,728
Miscellaneous	83,495	99,939
Transportation	40	-
Maintenance	256,696	170,010
Total administrative and general	1,620,140	1,983,199
Taxes	169,774	139,939
Total operation and maintenance	8,921,191	12,966,800
Depreciation	5,294,848	3,952,055
Total operating expenses	14,216,039	16,918,855
Operating income (loss)	$ 8,318,933	$ (953,146)



bakertilly

Reporting and insights from the 2024 audit:

Waukesha Water Utility

December 31, 2024

Executive summary

June 16, 2025

To the Utility Commission
Waukesha Water Utility
Waukesha, Wisconsin

We have completed our audit of the financial statements of Waukesha Water Utility (the Utility) for the year ended December 31, 2024, and have issued our report thereon dated June 16, 2025. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Utility's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

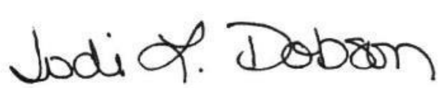
Additionally, we have included information on key risk areas Waukesha Water Utility should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Jodi Dobson, Principal: jodi.dobson@bakertilly.com or +1 (608) 240 2469
- Jalissa Pier, Senior Manager: jalissa.pier@bakertilly.com or +1 (608) 240 2601

Sincerely,

Baker Tilly US, LLP



Jodi Dobson, CPA, Principal

Jalissa Pier, CPA Senior Manager

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Utility's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Commission:
    - Are free from material misstatement
    - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or the Commission of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the Utility's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Utility and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Utility's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures

Internal control matters

We considered the Utility's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Utility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified the following deficiencies as significant deficiencies:

- **Financial statement close process**

  Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

  Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

  - There is adequate staffing to prepare financial reports throughout the year and at year-end.
  - Material misstatements are identified and corrected during the normal course of duties.
  - Complete and accurate financial statements, including footnotes, are prepared.
  - Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered significant deficiencies surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Commission are described in Note 1 to the financial statements. As described in Note 1, the Utility changed accounting policies related to compensated absences by adopting GASB No. 101 in 2024. The Utility did not restate 2023 for this change as the impact was not material. We noted no transactions entered into by the Utility during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Accrued compensated absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Unbilled revenues	Evaluation of revenues earned in prior year considering consumption and rate changes	Reasonable in relation to the financial statements as a whole
Net/Total OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Leased assets/liabilities and/or lease receivable and related deferral	Valuation of leases by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Utility or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Material uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements identified.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Utility's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Utility's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the Utility that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Utility's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Construction audit services
- Financial statement preparation services

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

**Non-attest services are provided by Baker Tilly Advisory Group, LP.*

Audit committee resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

To explore more trending topics and regulatory updates, visit our resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.

Funding evaluation and pursuit

Public sector organizations may be eligible for grants, tax credits and other financial incentives through funding opportunities such as the Inflation Reduction Act, the Clean Communities Investment Accelerator, and the Infrastructure Investment and Jobs Act.

Baker Tilly can help you navigate, understand and pursue various federal and state funding sources through grant research and tracking, advising and writing, and management and compliance services.

Digital transformation

Digitizing public services can be a game changer for governments. Streamlining inefficient processes, providing digital access and delivery of services to meet public expectations, implementing technology to protect constituent data, leveraging information to make data-driven decisions and migrating outdated on-premises systems to the cloud are crucial to an entity's success.

Through these types of digital services, Baker Tilly can help you scale with future demand and be better positioned to rapidly respond to changing demands.

Cybersecurity

Public sector organizations face significant challenges from cyber threats and IT regulations. It can feel like you are on the defense keeping up with the latest risks, regulations and emerging trends. To mitigate risk, you must understand your organization's unique vulnerabilities, cybersecurity processes and controls.

Baker Tilly can help enhance your cybersecurity posture and ensure compliance, with solutions in IT compliance and security and cybersecurity and data protection to safeguard your data and navigate complex risk environments.

Management representation letter

Waukesha Water Utility
SERVING WAUKESHA SINCE 1886
115 DELAFIELD STREET
WAUKESHA, WI 53188-3615
Telephone: (262) 521-5272 • Fax: (262) 521-5265 • E-mail: contactus@waukesha-water.com

June 16, 2025

Baker Tilly US, LLP
4807 Innovate Ln
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Waukesha Water Utility as of December 31, 2024 and 2023 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Waukesha Water Utility and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 20, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the Utility required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.

6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the Utility is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the Commission or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

a) Management,

b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.

19) We have a process to track the status of audit findings and recommendations.

20) The Utility has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.

21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

22) There are no:

a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

23) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

Financial statement preparation

a) Construction audit services

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

24) The Waukesha Water Utility has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The Waukesha Water Utility has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

27) The Waukesha Water Utility has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

28) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

29) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

30) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

31) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

32) Tax-exempt bonds issued have retained their tax-exempt status.

33) We have appropriately disclosed the Waukesha Water Utility's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

34) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

35) With respect to the supplementary information, (SI):

a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

36) We assume responsibility for, and agree with, the findings of specialists in evaluating the OPEB liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

37) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

38) We have implemented GASB Statement No. 87, *Leases*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

39) We have reviewed existing contracts and determined there are no items requiring accounting or reporting as SBITAs.

40) We have implemented GASB Statement No. 101, *Compensated Absences*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

41) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

Sincerely,

Waukesha Water Utility

Signed: ______________________
Daniel S Duchniak, General Manager

Signed: ______________________
Cortney B Nagel, Administrative Services Manager

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Accounting changes relevant to Waukesha Water Utility

Future accounting standards update

GASB Statement Number	Description	Potentially impacts you	Effective date
102	Certain Risk Disclosures	✓	12/31/25
103	Financial Reporting Model Improvements	✓	12/31/26
104	New Capital Asset Disclosures	✓	12/31/26

Further information on upcoming GASB pronouncements.

New guidance on disclosures of certain risks

The requirements in GASB Statement No. 102, *Certain Risk Disclosures* is meant to provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. It requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

(a) The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources—for example, a small number of companies that represent a majority of employment in a government's jurisdiction, or a government that relies on one revenue source for most of its revenue.

(b) The Statement defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority—such as a voter-approved property tax cap or a state-imposed debt limit.

Concentrations and constraints may limit a government's ability to acquire resources or control spending.

The Statement generally requires a government to disclose information about a concentration or constraint if all of the following criteria are met:

(a) The concentration or constraint is *known* to the government prior to issuing the financial statements.

(b) The concentration or constraint makes the government vulnerable to the risk of a substantial impact.

(c) An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The disclosures should include a description of the following:

- The concentration or constraint,
- Each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and
- Actions taken by the government to mitigate the risk prior to the issuance of the financial statements.

Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions or conditions expected to have a significant financial effect in the subsequent period.
- Unusual or infrequent items (previously known as extraordinary and special items) - The new Statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.
- Presentation of the proprietary fund statement of revenues, expenses and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.
- Major component unit information and budgetary comparison information - Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.

c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that the Utility will receive an unmodified opinion on its financial statements.

e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the month of December, and sometimes early in January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.