

# **Waukesha Water Utility**

An Enterprise Fund of the City of Waukesha, Wisconsin

Financial Statements and  
Supplementary Information

December 31, 2025 and 2024

DRAFT

# Waukesha Water Utility

An Enterprise Fund of the City of Waukesha, Wisconsin

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December 31, 2025 and 2024

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## **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, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position for the Utility, as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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, 2025, and 2024, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

### **Required Supplementary Information**

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

## **Supplementary Information**

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

Madison, Wisconsin

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Years Ended December 31, 2025 and 2024*

*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, 2025 and 2024. You are invited to read this narrative in conjunction with the Utility's financial statements.

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### FINANCIAL HIGHLIGHTS

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- ❖ Total net position increased by \$11,492,000 to \$91,532,000 in 2025, an increase of 14.36%. In 2025, the increase was a result of increased revenues and investment income. In comparison, the net position also increased in 2024 primarily due to increased revenues and investment income.
  - ❖ Operating revenues, generated mostly by rate payers, increased by \$5,478,000, or 24.31% in 2025. 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 remained stable in 2025, decreasing by \$118,000 or 1.32% in 2025. The Utility began purchasing water from Milwaukee Water Works in 2023. 2024 was the first full year of purchasing water from Milwaukee. The transition to surface water lowered operating and maintenance expenses related to the pumping equipment, power for pumping, and chemicals. Non-operating expenses also remained stable in 2025 and decreased by \$4,000.
  - ❖ Year-end Cash and Equivalents increased by \$4,589,000 in 2025 as a result of an increase in water rates and an increase in investment income.
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### OVERVIEW OF THE FINANCIAL STATEMENTS

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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 Public Service Commission of Wisconsin (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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2025 and 2024

Unaudited

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### REQUIRED FINANCIAL STATEMENTS

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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.

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### UTILITY FINANCIAL ANALYSIS

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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, 2025 and 2024.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*Years Ended December 31, 2025 and 2024*  
*Unaudited*

**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**  
**2025, 2024, and 2023**  
**(000's)**

	2025	2024	2023	2025 v. 2024		2024 v. 2023	
				Change		Change	
Current Assets	\$ 58,277	\$ 53,239	\$ 48,580	\$ 5,038	9.46 %	\$ 4,659	9.59 %
Net Capital Assets	216,148	206,602	202,162	9,546	4.62	4,440	2.20
Other Noncurrent Assets	3,776	3,479	4,738	297	8.54	(1,259)	(26.57)
Total Assets	278,201	263,320	255,480	14,881	5.65	7,840	3.07
Deferred Outflows of Resources	2,224	2,844	3,943	(620)	(21.80)	(1,099)	(27.87)
Long Term Debt Outstanding	167,986	166,557	163,421	1,429	0.86	3,136	1.92
Other Liabilities	14,650	14,259	16,062	391	2.74	(1,803)	(11.23)
Total Liabilities	182,636	180,816	179,483	1,820	1.01	1,333	0.74
Deferred Inflows of Resources	6,257	5,308	5,960	949	17.88	(652)	(10.94)
Net Investment in Capital Assets	47,534	39,373	38,975	8,161	20.73	398	1.02
Restricted Net Position	2,720	2,627	2,495	93	3.54	132	5.29
Unrestricted Net Position	41,278	38,040	32,510	3,238	8.51	5,530	17.01
Total Net Position	\$ 91,532	\$ 80,040	\$ 73,980	\$ 11,492	14.36 %	\$ 6,060	8.19 %

As shown in Table 1, Total net position increased by \$11,492,000 to \$91,532,000 in 2025, an increase of 14.36% in 2025. Revenues, in excess of expenses, account for the net increase in net position.

Total net position increased by \$6,060,000 to \$80,040,000 in 2024, an increase of 8.19%. While assets increased with the substantial completion of the 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.

### MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2025 and 2024 Unaudited

**Table 2**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position**  
**2025, 2024, and 2023**  
**(000's)**

	2025	2024	2023	2025 v. 2024 Change		2024 v. 2023 Change	
Operating Revenues	\$ 28,013	\$ 22,535	\$ 15,966	\$ 5,478	24.31 %	\$ 6,569	41.14 %
Non-operating Revenues	2,250	2,552	2,280	(302)	(11.83)	272	11.93
Total Revenues	30,263	25,087	18,246	5,176	20.63	6,841	37.49
Depreciation Expense	5,508	5,295	3,952	213	4.02	1,343	33.98
Other Operating Expense	8,803	8,921	12,967	(118)	(1.32)	(4,046)	(31.20)
Non-operating Expense	3,021	3,025	5,369	(4)	(0.13)	(2,344)	(43.66)
Total Expense	17,332	17,241	22,288	91	0.53	(5,047)	(22.64)
Income before Capital Contributions and Transfers	12,931	7,846	(4,042)	5,085	64.81	11,888	294.11
Capital Contributions	882	379	1,585	503	132.72	(1,206)	(76.09)
Capital Contributions - Municipal	-	-	52	-	-	(52)	(100.00)
Transfers - Tax Equivalent	(2,321)	(2,165)	(2,355)	156	7.21	(190)	(8.07)
Changes in Net Assets	11,492	6,060	(4,760)	5,432	89.64	10,820	227.31
Beginning Net Assets	80,040	73,980	78,740	6,060	8.19	(4,760)	(6.05)
Ending Net Assets	\$ 91,532	\$ 80,040	\$ 73,980	\$ 11,492	14.36 %	\$ 6,060	8.19 %

Operating revenues increased in 2025 by \$5,478,000, as a result of an increase in water rates granted by the PSCW effective October 1, 2023 and October 1, 2024. Non-operating revenues decreased by \$302,000, or 11.83%, primarily due to a decrease in investment income. While interest rates remain favorable, they steadily declined in 2025.

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 remained high for much of 2024.

Depreciation expense in 2025 increased by \$213,000, or 4.02%, due to the addition of capital assets. Other operating expenses decreased \$118,000. Non-operating expenses remained stable in 2025 and decreased by \$4,000.

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.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

*Years Ended December 31, 2025 and 2024*

*Unaudited*

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.

Capital contributions increased in 2025 by \$503,000 or 132.72% due to more developer-funded water projects being completed. In keeping with the negotiated schedule, the payment in lieu of taxes to the City increased \$156,000.

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.

**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**  
**2025, 2024, and 2023**  
**(000’s)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025 v. 2024</u>		<u>2024 v. 2023</u>	
				<u>Change</u>		<u>Change</u>	
Cash Flows From:							
Operating Activities	\$ 19,850	\$ 13,665	\$ 847	\$ 6,185	45.26 %	\$ 12,818	1,513.34 %
Paid to Municipality - Tax Equivalent	(2,164)	(2,355)	(2,198)	191	8.11	(157)	(7.14)
Capital and Related Financing Activities	(15,331)	(5,979)	260	(9,352)	(156.41)	(6,239)	(2,399.62)
Investing Activities	<u>2,234</u>	<u>2,542</u>	<u>2,192</u>	<u>(308)</u>	<u>(12.12)</u>	<u>350</u>	<u>15.97</u>
Net Change in Cash and Equivalents	4,589	7,873	1,101	(3,284)	(41.71)	6,772	615.08
Cash and Equivalents Beginning of Year	<u>45,572</u>	<u>37,699</u>	<u>36,598</u>	<u>7,873</u>	<u>20.88</u>	<u>1,101</u>	<u>3.01</u>
Cash and Equivalents End of Year	<u>\$ 50,161</u>	<u>\$ 45,572</u>	<u>\$ 37,699</u>	<u>\$ 4,589</u>	<u>10.07 %</u>	<u>\$ 7,873</u>	<u>20.88 %</u>

Year-end Cash and Equivalents increased by \$4,589,000 in 2025 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 even though interest rates started to decline in 2025.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Years Ended December 31, 2025 and 2024*

*Unaudited*

**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**  
**2025, 2024, and 2023**  
**(000's)**

	2025	2024	2023	2025 v. 2024		2024 v. 2023	
				Change		Change	
Land & Land Rights	\$ 1,580	\$ 804	\$ 804	\$ 776	96.52 %	\$ -	- %
Intangible	459	453	447	6	1.32	6	1.34
Source of Supply	52,263	52,232	53,027	31	0.06	(795)	(1.50)
Pumping	33,802	33,348	31,961	454	1.36	1,387	4.34
Water Treatment	6,605	6,567	6,340	38	0.58	227	3.58
Transmission and Distribution	159,621	150,572	145,337	9,049	6.01	5,235	3.60
General	9,402	9,113	8,651	289	3.17	462	5.34
<b>Total Capital Assets</b>	<b>263,732</b>	<b>253,089</b>	<b>246,566</b>	<b>10,643</b>	<b>4.21</b>	<b>6,523</b>	<b>2.65</b>
Accumulated Depreciation	(54,506)	(50,137)	(45,567)	(4,369)	(8.71)	(4,570)	(10.03)
Construction in Progress	6,922	3,650	1,163	3,272	89.64	2,487	213.84
<b>Net Capital Assets</b>	<b>\$ 216,148</b>	<b>\$ 206,602</b>	<b>\$ 202,162</b>	<b>\$ 9,546</b>	<b>4.62 %</b>	<b>\$ 4,440</b>	<b>2.20 %</b>

The Utility's capital assets increased by \$10.6 million, or 4.21% in 2025. Increases in developer contributions totaled \$882,034. 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). \$1,307,218 in assets were retired in 2025.

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Years Ended December 31, 2025 and 2024*

*Unaudited*

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### LONG-TERM DEBT

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At the end of 2025, the Utility had revenue bonds of \$129.3 million outstanding, which included \$9.37 million in Safe Drinking Water (SDW) Loans issued in 2013, 2018 and 2019 and \$120.0 million in Water Infrastructure Finance and Innovation Act (WIFIA) Loans issued in 2020, 2021, 2022, 2023, 2024 and 2025 through the U.S. Environmental Protection Agency. At the end of 2024, the Utility had revenue bonds of \$125.0 million outstanding, which included \$10.02 million in SDW Loans and \$115.0 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 \$38.69 million in 2025 and \$41.54 million in 2024. 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*.

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### ECONOMIC FACTORS AND FUTURE PLANNING

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The Utility's service area is located in southeast Wisconsin. Waukesha County is the third largest county in the State. While the current service area has a good mix of commercial and industrial customers, nearly half of all revenues come from residential customers.

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.

Due to increasing future water demands, coupled with declining groundwater levels and deteriorating water quality, the Utility transitioned in 2023 from groundwater sources to Lake Michigan surface water purchased from Milwaukee Water Works. This shift required a significant and unprecedented investment in infrastructure.

A new Utility Operations Center was approved by the PSCW and is currently being constructed. The current 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 construction of the project.

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### CONTACTING UTILITY'S FINANCIAL MANAGEMENT

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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](mailto:cnagel@waukesha-water.com).

# Waukesha Water Utility

Statements of Net Position  
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 25,139,542	\$ 23,109,862
Other special accounts	22,043,973	19,581,028
Restricted assets:		
Redemption account	2,977,543	2,881,083
Customer accounts receivable	3,969,440	3,526,817
Unbilled revenues	2,482,371	2,500,273
Other accounts receivable	39,846	21,629
Due from Municipality	550,560	589,809
Materials and supplies	539,023	510,935
Prepayments	213,868	216,923
Current portion of lease receivable	321,087	300,909
Total current assets	<u>58,277,253</u>	<u>53,239,268</u>
<b>Noncurrent Assets</b>		
Other assets:		
Preliminary survey and investigation	-	621
Lease receivable	3,341,147	3,043,252
Property held for future use	435,090	435,090
Capital assets:		
Plant in service	263,731,273	253,088,811
Accumulated depreciation/amortization	(54,505,650)	(50,136,893)
Construction work in progress	6,922,365	3,649,849
Total noncurrent assets	<u>219,924,225</u>	<u>210,080,730</u>
Total assets	<u>278,201,478</u>	<u>263,319,998</u>
<b>Deferred Outflows of Resources</b>		
Unamortized loss on advance refunding	260,359	358,168
Deferred outflows related to pension	1,223,845	1,693,598
Deferred outflows related to OPEB	739,887	792,513
Total deferred outflows of resources	<u>2,224,091</u>	<u>2,844,279</u>

See notes to the financial statements

# Waukesha Water Utility

Statements of Net Position  
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,623,548	\$ 1,016,578
Due to Municipality	2,322,148	2,164,479
Due to sewer utility	3,774,646	3,789,782
Customer deposits	73,580	119,297
Accrued wages	106,645	101,376
Accrued interest	330,538	349,440
Accrued vacation leave	198,269	222,035
Current portion of lease liability	20,488	39,924
Conservation programs	76,778	86,062
Current portion of general obligation debt	2,930,000	2,850,000
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	771,600	758,437
Accrued interest	257,548	253,900
Total current liabilities	<u>12,485,788</u>	<u>11,751,310</u>
<b>Noncurrent Liabilities</b>		
General obligation debt	35,760,000	38,690,000
Revenue bonds	128,524,846	124,258,207
Lease liability	6,968	27,455
Accrued sick leave	343,351	419,748
Unamortized bond premium	1,295,322	1,398,948
Customer advances for construction	235,460	207,547
Other postemployment benefits liability	3,793,211	3,877,912
Net pension liability	191,758	184,612
Total noncurrent liabilities	<u>170,150,916</u>	<u>169,064,429</u>
Total liabilities	<u>182,636,704</u>	<u>180,815,739</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pension	685,031	1,069,723
Deferred inflows related to OPEB	904,429	894,596
Other deferred credits	957,711	-
Deferred inflows related to leases	3,709,734	3,344,161
Total deferred inflows of resources	<u>6,256,905</u>	<u>5,308,480</u>
<b>Net Position</b>		
Net investment in capital assets	47,534,213	39,372,675
Restricted for:		
Debt service	2,719,995	2,627,183
Unrestricted	41,277,752	38,040,200
Total net position	<u>\$ 91,531,960</u>	<u>\$ 80,040,058</u>

See notes to the financial statements

## Waukesha Water Utility

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Sales of water	\$ 27,303,866	\$ 21,474,923
Other	<u>709,477</u>	<u>1,060,049</u>
Total operating revenues	<u>28,013,343</u>	<u>22,534,972</u>
<b>Operating Expenses</b>		
Operation and maintenance	8,802,649	8,921,191
Depreciation	<u>5,507,878</u>	<u>5,294,848</u>
Total operating expenses	<u>14,310,527</u>	<u>14,216,039</u>
<b>Operating Income</b>	<u>13,702,816</u>	<u>8,318,933</u>
<b>Nonoperating Expenses</b>		
Investment income	2,234,527	2,541,825
Income from merchandising and jobbing	10,094	2,177
Other nonoperating revenues	5,686	7,821
Interest expense	(2,908,884)	(2,950,129)
Amortization of premium	103,626	111,319
Amortization of loss on advance refunding	(97,809)	(97,809)
Debt issuance costs	(59,850)	(17,714)
Lobbying expense	<u>(58,190)</u>	<u>(71,129)</u>
Total nonoperating expenses	<u>(770,800)</u>	<u>(473,639)</u>
Income before contributions and transfers	12,932,016	7,845,294
<b>Capital Contributions</b>	882,034	379,065
<b>Transfers, Tax Equivalent</b>	<u>(2,322,148)</u>	<u>(2,164,479)</u>
Change in net position	11,491,902	6,059,880
<b>Net Position, Beginning</b>	<u>80,040,058</u>	<u>73,980,178</u>
<b>Net Position, Ending</b>	<u>\$ 91,531,960</u>	<u>\$ 80,040,058</u>

See notes to the financial statements

# Waukesha Water Utility

Statements of Cash Flows  
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 28,752,243	\$ 21,733,881
Paid to suppliers for goods and services	(6,950,235)	(6,051,783)
Paid to employees for operating payroll	(1,952,353)	(2,017,087)
Net cash flows from operating activities	<u>19,849,655</u>	<u>13,665,011</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Paid to Municipality for tax equivalent	<u>(2,164,479)</u>	<u>(2,355,094)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(14,549,120)	(10,880,921)
Cost of removal of capital assets	(125,134)	(54,284)
Salvage on retirement of plant	46,015	49,377
Lease payments	(39,923)	(38,321)
Capital contributions received	891,730	4,777,412
Debt retired	(3,608,061)	(2,716,410)
Interest paid	(2,924,138)	(2,950,773)
Proceeds from debt issue	5,037,863	5,852,406
Debt issuance costs	(59,850)	(17,714)
Net cash flows from capital and related financing activities	<u>(15,330,618)</u>	<u>(5,979,228)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income	<u>2,234,527</u>	<u>2,541,825</u>
Net change in cash and cash equivalents	4,589,085	7,872,514
<b>Cash and Cash Equivalents, Beginning</b>	<u>45,571,973</u>	<u>37,699,459</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 50,161,058</u>	<u>\$ 45,571,973</u>
<b>Noncash Capital and Related Financing Activities</b>		
Amortization of premium	<u>\$ 103,626</u>	<u>\$ 111,319</u>
Amortization of loss on refunding	<u>\$ (97,809)</u>	<u>\$ (97,809)</u>

See notes to the financial statements

# Waukesha Water Utility

## Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Operating income	\$ 13,702,816	\$ 8,318,933
Nonoperating revenue (expense)	(42,410)	(61,131)
Noncash items in operating income:		
Depreciation	5,507,878	5,294,848
Depreciation charged to clearing and other utilities	207,288	191,278
Amortization of preliminary survey and investigation	-	958,332
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer accounts receivable	(424,721)	(844,250)
Materials and supplies	(28,088)	41,649
Prepayments	3,055	(74,066)
Pension and OPEB asset (liability) and related deferrals	69,965	(257,940)
Conservation programs	(9,284)	(26,410)
Accounts payable	(25,557)	71,954
Customer deposits	(45,717)	(12,457)
Accrued liabilities	(94,894)	89,904
Due from/to Municipality/sewer	24,113	(25,633)
Other deferred credits	957,711	-
Leases	47,500	-
	<u>\$ 19,849,655</u>	<u>\$ 13,665,011</u>
<b>Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts</b>		
Cash and investments	\$ 25,139,542	\$ 23,109,862
Redemption account	2,977,543	2,881,083
Other special accounts	<u>22,043,973</u>	<u>19,581,028</u>
	<u>\$ 50,161,058</u>	<u>\$ 45,571,973</u>

See notes to the financial statements

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## 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 December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires that a government assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the 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. This standard was implemented January 1, 2025. There was no impact in the current year.

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.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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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 contains the following guidelines for allowable investments.

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

### 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## Other Special Accounts

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

	<u>2025</u>	<u>2024</u>
Equipment replacement account	\$ 18,729,176	\$ 16,535,589
Tax equivalent account	<u>3,314,797</u>	<u>3,045,439</u>
Total	<u>\$ 22,043,973</u>	<u>\$ 19,581,028</u>

## 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 \$0 in 2025 and \$958,332 in 2024.

## 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:

	<u>Years</u>
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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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## 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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## 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.

## Other Deferred Credits

Other deferred credits are reported as deferred inflows of resources. These credits have been recorded as directed by the Public Service Commission for Wisconsin in conjunction with upcoming rate studies.

## 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.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*
- Statement No. 105, *Subsequent Events*

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,		Risks
	2025	2024	
Checking, savings and sweep	\$ 3,801,420	\$ 4,687,301	Custodial credit risk
Local Government Investment Pool	46,359,085	40,883,466	Credit risk
Petty cash	553	1,206	N/A
Total	<u>\$ 50,161,058</u>	<u>\$ 45,571,973</u>	

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

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$1,000,000. 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

In addition, the Utility has collateral or depository insurance agreements in the amount of \$6,412,722 and \$6,206,638 at December 31, 2025 and 2024 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, 2025 and 2024, 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.

	2025		2024	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Waukesha State Bank	\$ 4,222,770	\$ 3,695,869	\$ 4,928,976	\$ 4,588,743
Chase Bank	62,073	105,551	98,558	98,558
Total	<u>\$ 4,284,843</u>	<u>\$ 3,801,420</u>	<u>\$ 5,027,534</u>	<u>\$ 4,687,301</u>

### 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### 3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ended December 31, 2025 and 2024:

Due To	Due From	2025		2024	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Utility	Municipality	\$ 550,560	Capital project	\$ 589,809	Capital project
Municipality	Water Utility	2,322,148	Tax equivalent	2,164,479	Tax equivalent
Sewer Utility	Water Utility	3,774,646	Amounts billed for sewer utility	3,789,782	Amounts billed for sewer utility

The following is a schedule of transfer balances for the years ended December 31, 2025 and 2024:

To	From	2025		2024	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water Utility	\$ 2,322,148	Tax equivalent	\$ 2,164,479	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:

	2025	2024
Restricted assets:		
Redemption account	\$ 2,977,543	\$ 2,881,083
Current liabilities payable from restricted assets	(257,548)	(253,900)
Total restricted net position as calculated	\$ 2,719,995	\$ 2,627,183

The purpose of the restricted net position is as follows:

	2025	2024
Debt service	\$ 2,719,995	\$ 2,627,183
Total restricted net position	\$ 2,719,995	\$ 2,627,183

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### 5. Changes in Capital Assets

#### Water Utility

A summary of changes in water capital assets for 2025 follows:

	<u>Balance 1/1/25</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/25</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 803,596	\$ 776,145	\$ -	\$ 1,579,741
Intangible	239,535	6,136	-	245,671
Total capital assets not being depreciated	<u>1,043,131</u>	<u>782,281</u>	<u>-</u>	<u>1,825,412</u>
Capital assets being depreciated:				
Lease assets, easement	212,994	-	-	212,994
Source of supply	52,231,617	31,078	-	52,262,695
Pumping	33,348,013	455,223	1,486	33,801,750
Water treatment	6,567,376	39,980	2,017	6,605,339
Transmission and distribution	150,572,298	10,355,068	1,306,293	159,621,073
General	9,113,382	481,921	193,293	9,402,010
Total capital assets being depreciated	<u>252,045,680</u>	<u>11,363,270</u>	<u>1,503,089</u>	<u>261,905,861</u>
Total capital assets	<u>253,088,811</u>	<u>12,145,551</u>	<u>1,503,089</u>	<u>263,731,273</u>
Less accumulated depreciation:				
Lease assets, easement	(145,615)	(39,923)	-	(185,538)
Source of supply	(3,247,806)	(913,311)	-	(4,161,117)
Pumping	(6,121,677)	(1,205,625)	1,486	(7,325,816)
Water treatment	(3,681,090)	(291,371)	2,017	(3,970,444)
Transmission and distribution	(32,037,691)	(2,765,752)	1,235,556	(33,567,887)
General	(4,903,014)	(585,127)	193,293	(5,294,848)
Total accumulated depreciation	<u>(50,136,893)</u>	<u>(5,801,109)</u>	<u>1,432,352</u>	<u>(54,505,650)</u>
Construction in progress	<u>3,649,849</u>	<u>15,103,583</u>	<u>11,831,067</u>	<u>6,922,365</u>
Net capital assets	<u>\$ 206,601,767</u>			<u>\$ 216,147,988</u>

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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

	<u>Balance 1/1/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/24</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 803,804	\$ -	\$ 208	\$ 803,596
Intangible	233,797	5,738	-	239,535
<b>Total capital assets not being depreciated</b>	<u>1,037,601</u>	<u>5,738</u>	<u>208</u>	<u>1,043,131</u>
Capital assets being depreciated:				
Lease asset, easement	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
<b>Total capital assets being depreciated</b>	<u>245,528,520</u>	<u>8,499,565</u>	<u>1,982,405</u>	<u>252,045,680</u>
<b>Total capital assets</b>	<u>246,566,121</u>	<u>8,505,303</u>	<u>1,982,613</u>	<u>253,088,811</u>
Less accumulated depreciation:				
Lease asset, easement	(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)
<b>Total accumulated depreciation</b>	<u>(45,566,784)</u>	<u>(5,573,892)</u>	<u>1,003,783</u>	<u>(50,136,893)</u>
Construction in progress	1,162,804	2,487,045	-	3,649,849
<b>Net capital assets</b>	<u>\$ 202,162,141</u>			<u>\$ 206,601,767</u>

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

### 6. Lease Disclosures

#### Lessee - Lease Liabilities

<u>Lease Liabilities Description</u>	<u>Date of Contract</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance 12/31/25</u>
Water tower easement	2012	2027	2.15%	\$ 27,456
<b>Total lease liabilities</b>				<u>\$ 27,456</u>

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

Future minimum lease payments are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 20,488	\$ 590	\$ 21,078
2027	6,968	150	7,118
Total	<u>\$ 27,456</u>	<u>\$ 740</u>	<u>\$ 28,196</u>

### Lessor - Lease Receivables

<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Receivable Balance 12/31/25</u>	<u>Receivable Balance 12/31/24</u>
Water tower lease	2015	2044	2.15%	\$ 1,227,295	\$ 1,255,989
Water tower lease	2012	2026	2.15	43,717	86,515
Water tower lease	2012	2027	2.15	68,638	116,796
Water tower lease	2015	2030	2.15	232,992	271,324
Water tower lease	2015	2030	2.15	225,307	265,195
Water tower lease	2015	2030	2.15	225,307	265,195
Water tower lease	2011	2025	2.15	-	51,651
Water tower lease	2023	2053	3.03	1,019,996	1,031,496
Water tower lease	2026	2039	3.64	618,982	-
Total activities				<u>\$ 3,662,234</u>	<u>\$ 3,344,161</u>

The Utility recognized \$300,909 and \$274,708 of lease revenue during 2025 and 2024, respectively.

The Utility recognized \$80,909 and \$86,907 of interest revenue during 2025 and 2024, respectively.

## 7. Long-Term Obligations

### Revenue Debt - Direct Placement

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/25</u>
05/07/2013	Capital Improvements	05/01/2033	2 %	\$ 1,117,601	\$ 499,881 *
04/08/2014	Capital Improvements	05/01/2038	2	679,774	469,902 *
05/12/2015	Capital Improvements	03/27/2038	2	8,863,261	6,412,021 *
05/10/2016	Capital Improvements	05/01/2039	2	2,333,343	1,993,139 *
12/03/2020	Capital Improvements (WIFIA Loan)	05/06/2058	1	137,100,000	119,921,503 *

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

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

Revenue bonds debt service requirements to maturity follows:

<b>Years Ending December 31:</b>	<b>Revenue Debt - Direct Placement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 771,600	\$ 1,558,416	\$ 2,330,016
2027	787,997	1,548,445	2,336,442
2028	1,639,369	1,529,336	3,168,705
2029	2,011,763	1,503,033	3,514,796
2030	2,024,988	1,474,394	3,499,382
2031-2035	11,033,641	6,915,746	17,949,387
2036-2040	11,552,497	6,132,325	17,684,822
2041-2045	25,123,235	5,051,653	30,174,888
2046-2050	26,992,202	3,538,082	30,530,284
2051-2055	28,861,169	1,918,890	30,780,059
2056-2058	18,497,985	326,590	18,824,575
<b>Total</b>	<b>\$ 129,296,446</b>	<b>\$ 31,496,910</b>	<b>\$ 160,793,356</b>

All Utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2025 and 2024 were \$2,279,058 and \$2,130,978, respectively. Total customer gross revenues as defined for the same periods were \$30,263,650 and \$25,086,795. Annual principal and interest payments are expected to require 16% of gross revenues on average.

## General Obligation Debt

The following general obligation bonds have been issued:

<b>Date</b>	<b>Purpose</b>	<b>Final Maturity</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Outstanding Amount 12/31/25</b>
05/12/2015	2015 G.O. Refunding Bonds	10/01/2034	2 %	\$ 5,415,000	\$ 3,440,000
05/10/2016	2016 G.O. Refunding Bonds	10/01/2035	3	6,280,000	4,555,000
12/03/2020	2020 G.O. Refunding Bonds	10/01/2033	2	9,050,000	6,130,000
04/20/2021	2021 G.O. Refunding Bonds	10/01/2040	2	8,120,000	7,820,000
10/20/2022	2022 G.O. Refunding Bonds	10/01/2042	5	17,475,000	16,745,000

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

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

General obligation bonds debt service requirements to maturity follows:

Years Ending December 31:	Bonds		
	Principal	Interest	Total
2026	\$ 2,930,000	\$ 1,322,151	\$ 4,252,151
2027	3,015,000	1,237,579	4,252,579
2028	2,310,000	1,120,969	3,430,969
2029	2,055,000	1,038,989	3,093,989
2030	2,130,000	974,789	3,104,789
2031-2035	11,300,000	3,794,401	15,094,401
2036-2040	13,685,000	1,694,219	15,379,219
2041-2042	1,265,000	83,025	1,348,025
Total	<u>\$ 38,690,000</u>	<u>\$ 11,266,122</u>	<u>\$ 49,956,122</u>

## Long-Term Obligations Summary

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

	1/1/25 Balance	Additions	Reductions	12/31/25 Balance	Due Within One Year
Revenue bonds	\$125,016,644	\$ 5,037,863	\$ 758,061	\$129,296,446	\$ 771,600
General obligation debt	41,540,000	-	2,850,000	38,690,000	2,930,000
Accrued sick leave	419,748	6,331	82,728	343,351	-
Customer advances for construction	207,547	27,913	-	235,460	-
Lease liability	67,379	-	39,923	27,456	20,488
Other postemployment benefits liability	3,877,912	-	84,701	3,793,211	-
Unamortized premium on debt	1,398,948	-	103,626	1,295,322	-
Net pension liability	184,612	7,146	-	191,758	-
Total	<u>\$172,712,790</u>	<u>\$ 5,079,253</u>	<u>\$ 3,919,039</u>	<u>\$173,873,004</u>	<u>\$ 3,722,088</u>

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	-
	675,450	-	490,838	184,612	-
Total	<u>\$170,374,171</u>	<u>\$ 6,086,633</u>	<u>\$ 3,748,014</u>	<u>\$172,712,790</u>	<u>\$ 3,533,363</u>

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## 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, 2025:

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:

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 28,013,343	\$ 22,534,972
Investment income	2,234,527	2,541,825
Miscellaneous nonoperating income	10,094	2,177
Other nonoperating revenues	5,686	7,821
Less operation and maintenance expenses	<u>(8,802,649)</u>	<u>(8,921,191)</u>
Net defined earnings	<u>\$ 21,461,001</u>	<u>\$ 16,165,604</u>
Minimum required earnings per resolution:		
2013 SDWLP rev bonds subsequent year debt service	\$ 67,456	\$ 67,467
2018 SDWLP rev. bonds subsequent year debt service	40,751	40,757
2019B SDWLP rev. bonds subsequent year debt service	559,944	560,027
2019E SDWLP rev. bonds subsequent year debt service	159,555	159,573
2020 WIFIA rev. bonds subsequent year debt service	<u>1,502,310</u>	<u>1,448,796</u>
Subtotal	2,330,016	2,276,620
Coverage factor	<u>1.10</u>	<u>1.10</u>
Minimum required earnings	<u>\$ 2,563,018</u>	<u>\$ 2,504,282</u>
Actual debt coverage	<u>9.21</u>	<u>7.10</u>

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## Number of Customers and Billed Volumes - Water

The Utility has the following number of customers and billed volumes for 2025 and 2024:

	Customers		Sales (000 gals)	
	2025	2024	2025	2024
Residential	18,545	18,338	774,512	794,426
Multifamily residential	946	947	327,393	340,635
Commercial	1,274	1,271	326,724	317,790
Industrial	144	143	129,749	136,073
Public authority	110	112	52,463	54,143
Irrigation	183	174	9,769	5,520
Total	<u>21,202</u>	<u>20,985</u>	<u>1,620,610</u>	<u>1,648,587</u>

### 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, 2025, and 2024, the total amount of loan available for future project costs were reported at \$17,063,876 and \$22,101,739, 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

The following calculation supports the water construction funds:

	<u>2025</u>	<u>2024</u>
Plant in service	\$ 263,731,273	\$ 253,088,811
Accumulated depreciation/amortization	(54,505,650)	(50,136,893)
Property held for future use	435,090	435,090
Construction work in progress	<u>6,922,365</u>	<u>3,649,849</u>
	<u>216,583,078</u>	<u>207,036,857</u>
Less capital related debt:		
Current portion of capital related long-term debt	2,930,000	2,850,000
Long-term portion of capital related long-term debt	35,760,000	38,690,000
Revenue bonds	129,296,446	125,016,644
Lease liability	27,456	67,379
Preliminary survey and investigation funded with borrowing	-	(621)
Unamortized loss on refunding	(260,359)	(358,168)
Unamortized premium	<u>1,295,322</u>	<u>1,398,948</u>
Deferred outflows of resources	<u>169,048,865</u>	<u>167,664,182</u>
Construction funds	<u>\$ 47,534,213</u>	<u>\$ 39,372,675</u>

## 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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)
2024	3.6	15.0

## 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.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

The WRS recognized \$157,626 and \$166,289 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates for the plan year reported as of December 31, 2025 and December 31, 2024 are:

	2025		2024	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.90 %	6.90 %	6.80 %	6.80 %
Protective with Social Security	6.90	14.30	6.80	13.20
Protective without Social Security	6.90	19.10	6.80	18.10

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

At December 31, 2025, the Utility reported a liability (asset) of \$191,758 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2024, the City of Waukesha's proportion was 0.36410427%, which was a decrease of 0.00658315% from its proportion measured as of December 31, 2023.

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.

For the years ended December 31, 2025 and 2024, the Utility recognized pension expense (revenue) of \$258,496 and \$114,984, respectively.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 788,870	\$ 683,009
Changes in assumption	83,154	-
Net differences between projected and actual earnings on pension plan	192,662	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,533	2,022
Employer contributions subsequent to the measurement date	<u>157,626</u>	<u>-</u>
Total	<u>\$ 1,223,845</u>	<u>\$ 685,031</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 905,599	\$ 1,066,781
Changes in assumption	103,251	-
Net differences between projected 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	<u>166,289</u>	<u>-</u>
Total	<u>\$ 1,693,598</u>	<u>\$ 1,069,723</u>

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:

2026	\$ 114,202
2027	394,639
2028	(97,368)
2029	(30,285)
2030	-
Thereafter	<u>-</u>
Total	<u>\$ 381,188</u>

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### 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:

	2025	2024
Actuarial Valuation Date:	December 31, 2023	December 31, 2022
Measurement Date of Net Pension Liability (Asset):	December 31, 2024	December 31, 2023
Experience Study:	January 1, 2021 - December 31, 2023, Published November 19, 2024	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%-5.7%	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. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### 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, 2025 are summarized in the following table:

#### Asset Allocation Targets and Expected Returns<sup>1</sup> as of the Measurement Date December 31, 2024

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % <sup>2</sup>
Public Equity	38 %	7.0 %	4.3 %
Public Fixed Income	27	6.1	3.4
Inflation Sensitive	19	4.8	2.1
Real Estate	8	6.5	3.8
Private Equity/Debt	20	9.5	6.7
Leverage <sup>3</sup>	(12)	3.7	1.1
Total Core Fund <sup>3</sup>	100	7.5	4.8
<b>Variable Fund Asset</b>			
U.S. Equities	70	6.5	3.8
International Equities	30	7.4	4.7
Total Variable Fund	100	6.9	4.2

<sup>1</sup> Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

<sup>2</sup> New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.6%.

<sup>3</sup> 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%.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2024 are summarized in the following table:

### Asset Allocation Targets and Expected Returns<sup>1</sup> as of the Measurement Date December 31, 2023

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % <sup>2</sup>
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 <sup>3</sup>	(12)	3.7	1.0
Total Core Fund <sup>3</sup>	100	7.4	4.6
<b>Variable Fund Asset</b>			
U.S. Equities	70	6.8	4.0
International Equities	30	7.6	4.8
Total Variable Fund	100	7.3	4.5

<sup>1</sup> Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

<sup>2</sup> New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.7%.

<sup>3</sup> 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%.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## Single Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability as of December 31, 2025 and December 31, 2024. As of December 31, 2025, 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 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's Investors Services' Aa2 rating and Standard and Poor's Corp.'s AA.) As of December 31, 2024, 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 3.77%. (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. 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, 2025 follows:

	<u>1% Decrease to Discount Rate (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase to Discount Rate (7.80%)</u>
Waukesha Water Utility's proportionate share of the net position liability (asset)	\$ 1,801,671	\$ 191,758	\$ (951,541)

The sensitivity analysis as of December 31, 2024 follows:

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

## 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>.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## 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, 2025 and 2024, the following employees were covered by the benefit terms:

	<u>2025</u>	<u>2024</u>
Inactive plan members or beneficiaries currently receiving benefit payments	17	16
Active plan members	<u>25</u>	<u>26</u>
	<u><u>42</u></u>	<u><u>42</u></u>

#### Total OPEB Liability

At December 31, 2025, the Utility's total OPEB liability of \$3,614,207 was measured as of December 31, 2025, and was determined by an actuarial valuation as of that date. At December 31, 2024, the Utility's total OPEB liability of \$3,639,152 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2025</u>	<u>2024</u>
Inflation	4.83%	4.08%
Salary increases	2.5%	2.0%
Healthcare cost trend rates	Entry age	Entry age
Retirees' share of benefit-related costs	6.40% for 2025, decreasing 0.2% every two years to an ultimate rate of 5.0%	6.60% for 2024, decreasing 0.2% 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.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at January 1, 2024	\$ 4,064,752
Changes for the year:	
Service cost	6,631
Interest	129,045
Changes in assumptions or other inputs	(348,662)
Benefit payments	<u>(212,614)</u>
Net changes	<u>(425,600)</u>
Balances at December 31, 2024	\$ 3,639,152
Changes for the year:	
Service cost	5,522
Interest	144,226
Changes of benefit terms	221,151
Differences between expected and actual experience	(326,173)
Changes in assumptions or other inputs	138,745
Benefit payments	<u>(208,416)</u>
Net changes	<u>(24,945)</u>
Balances at December 31, 2025	<u>\$ 3,614,207</u>

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

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

As of December 31, 2025:

	<u>1% Decrease (3.8%)</u>	<u>Discount Rate (4.8%)</u>	<u>1% Increase (5.8%)</u>
Total OPEB liability	\$ 4,014,843	\$ 3,614,207	\$ 3,275,630

As of December 31, 2024:

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

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### 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, 2025:

	<b>1% Decrease (5.4%) Decreasing to 4.0%)</b>	<b>Healthcare Cost Trend Rates (6.4%) Decreasing to 5.0%)</b>	<b>1% Increase (7.4%) Decreasing to 6.0%)</b>
Total OPEB liability	\$ 3,269,001	\$ 3,614,207	\$ 4,017,240

As of December 31, 2024:

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

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

For the year ended December 31, 2025 and 2024, the Utility recognized OPEB expense of \$(17,793) and \$(17,793), respectively. At December 31, 2025 and 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2025</b>		<b>2024</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 43,322	\$ 417,266	\$ 51,986	\$ 212,879
Changes of assumptions or other inputs	<u>627,946</u>	<u>336,844</u>	<u>641,654</u>	<u>553,674</u>
Total	<u>\$ 671,268</u>	<u>\$ 754,110</u>	<u>\$ 693,640</u>	<u>\$ 766,553</u>

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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:**

2026	\$ (128,884)
2027	(8,921)
2028	5,537
2029	22,032
2030	70,639
Thereafter	<u>(43,245)</u>
Total	<u>\$ (82,842)</u>

## **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 members.

### **OPEB Plan Fiduciary Net Position**

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 postretirement 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.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

Contribution rates for the plan year reported as of December 31, 2025 and 2024 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
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:

<b>Life Insurance Member Contribution Rates*</b>		
<b>for the Plan Year</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
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 \$968 and \$1,058 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, 2025, the Utility reported a liability of \$179,004 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net 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, 2024, the Utility's proportion was 0.70352300%, which was a decrease of 0.04737400% from its proportion measured as of December 31, 2023.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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.

For the year ended December 31, 2025 and 2024, the Utility recognized OPEB expense (revenue) of \$5,810 and \$16,748, respectively.

At December 31, 2025 and 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,326	\$ -	\$ 21,588
Net differences between projected and actual investment earnings on plan investments	54,235	106,750	80,592	94,823
Changes in actuarial assumptions	2,969	-	3,545	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,540	23,243	13,768	11,632
Employer contributions subsequent to the measurement date	875	-	968	-
<b>Total</b>	<b>\$ 68,619</b>	<b>\$ 150,319</b>	<b>\$ 98,873</b>	<b>\$ 128,043</b>

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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:

<u>Years Ending December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2026	\$ (7,565)
2027	(15,597)
2028	(21,233)
2029	(22,139)
2030	(8,222)
Thereafter	<u>(7,819)</u>
Total	<u><u>(82,575)</u></u>

## 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:

	<u>2025</u>	<u>2024</u>
Actuarial Valuation Date	January 1, 2024	January 1, 2023
Measurement Date of Net OPEB Liability (Asset)	December 31, 2024	December 31, 2023
Experience Study	January 1, 2021 - December 31, 2023, Published November 19, 2024	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 *	4.08%	3.26%
Long-Term Expected Rate of Return	4.25%	4.25%
Discount Rate:	4.09%	3.32%
Salary Increases:		
Wage Inflation	3.00%	3.00%
Seniority/Merit	0.10%-5.7%	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.

## Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

### 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 the measurement date December 31, 2024

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	40%	2.41%
U.S. Mortgages	Bloomberg U.S. MBS	60	2.71
Inflation			2.30
Long-Term Expected Rate of Return			4.25

#### State OPEB Life Insurance Asset Allocation Targets and Expected Returns As of the measurement date 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

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

## Single Discount Rate

A single discount rate was used to measure the total OPEB liability (4.09% for 2025 and 3.32% for 2024). The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. 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, 2037.

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, 2025:

	<b>1% Decrease to Discount Rate (3.09%)</b>	<b>Current Discount Rate (4.09%)</b>	<b>1% Increase to Discount Rate (5.09%)</b>
The Utility's proportionate share of the net OPEB liability (asset)	\$ 239,130	\$ 179,004	\$ 132,494

As of December 31, 2024:

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

At December 31, 2025, 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.

# Waukesha Water Utility

Notes to Financial Statements  
December 31, 2025 and 2024

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.

## 12. Subsequent Events

The Utility evaluated subsequent events through June XX, 2026, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DRAFT**

**Waukesha Water Utility**

Schedule of Changes in Total OPEB Liability and Related Ratios -  
Health Insurance  
Years Ended December 31, 2025 and 2024  
(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>									
Service cost	\$ 5,522	\$ 6,631	\$ 9,816	\$ 37,101	\$ 32,691	\$ 36,128	\$ 41,084	\$ 32,988	\$ 35,013
Interest	144,226	129,045	150,098	99,468	137,955	142,201	109,623	137,865	135,768
Changes of benefit terms	221,151	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(326,173)	-	(47,969)	-	(468,268)	-	103,970	-	-
Changes in assumptions or other inputs	138,745	(348,662)	11,448	(735,480)	304,873	-	1,032,061	-	-
Benefit payments	(208,416)	(212,614)	(187,060)	(202,438)	(188,055)	(168,393)	(131,291)	(136,107)	(104,412)
<b>Net Change in Total OPEB Liability</b>	(24,945)	(425,600)	(63,667)	(801,349)	(180,804)	9,936	1,155,447	34,746	66,369
<b>Total OPEB Liability, Beginning</b>	<u>3,639,152</u>	<u>4,064,752</u>	<u>4,128,419</u>	<u>4,929,768</u>	<u>5,110,572</u>	<u>5,100,636</u>	<u>3,945,189</u>	<u>3,910,443</u>	<u>3,844,074</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 3,614,207</u>	<u>\$ 3,639,152</u>	<u>\$ 4,064,752</u>	<u>\$ 4,128,419</u>	<u>\$ 4,929,768</u>	<u>\$ 5,110,572</u>	<u>\$ 5,100,636</u>	<u>\$ 3,945,189</u>	<u>\$ 3,910,443</u>
<b>Covered-Employee Payroll</b>	\$ 2,916,667	\$ 2,409,984	\$ 2,383,861	\$ 2,319,502	\$ 2,320,086	\$ 2,233,436	\$ 2,276,756	\$ 2,233,038	\$ 2,118,960
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	123.92%	151.00%	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.

See notes to required supplementary information

## Waukesha Water Utility

### Schedule of Proportionate Share of the Net OPEB Liability (Asset) -

Local Retiree Life Insurance Fund (LRLIF)

Years Ended December 31, 2025 and 2024

(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
12/31/25	0.70352300%	\$ 179,004	\$ 2,409,984	7.43%	37.20%
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, 2025 and 2024

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
12/31/25	\$ 875	\$ 875	-	\$ 2,916,667	0.03%
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, 2025 and 2024  
 (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
12/31/25	0.36410427%	\$ 191,758	\$ 2,463,541	7.78%	98.79%
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%

### Schedule of Employer Contributions - Wisconsin Retirement System Years Ended December 31, 2025 and 2024

Fiscal Year End Date	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/25	\$ 157,626	\$ 157,626	-	\$ 2,268,000	6.95%
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%

See notes to required supplementary information

**Waukesha Water Utility**

Notes to Required Supplementary Information  
 Years Ended December 31, 2025 and 2024  
 (Unaudited)

**Health Insurance**

Actuarial valuation date for December 31, 2025 is as of January 1, 2025.

Methods and assumptions used to determine the total OPEB liability:

Actuarial cost method	Entry age normal
Asset valuation	Fair market value
Inflation	2.50%
Healthcare cost trend rates	6.40% in 2025, decreasing 0.20% every year to an ultimate rate of 5.00%
Salary increases	3.0%, average, including inflation
Investment rate of return	4.83%
Retirement age	Expected retirement ages of employees were developed from a 2024 Experience Study
Mortality	Wisconsin 2024 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	2025
20 Year tax-exempt municipal bond yield	3.4%	4.1%	2.7%	2.1%	2.1%	3.7%	3.3%	4.1%
Salary increases								
Inflation	3.2%	3.0%	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%	0.2%-5.7%
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	Wisconsin 2020 WRS Experience Mortality Table
Discount rate	3.63%	4.22%	2.87%	2.25%	2.17%	3.76%	3.32%	4.09%

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	2025
Long-term expected rate of return	7.2%	7.0%	6.8%	6.8%
Discount rate	7.2%	7.0%	6.8%	6.8%
Salary increases				
Inflation	3.2%	3.0%	3.0%	3.0%
Seniority/Merit	0.2%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.7%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table	Wisconsin 2020 WRS Experience Mortality Table	Wisconsin 2020 WRS Experience Mortality Table
Postretirement adjustments	2.10%	1.90%	1.70%	1.70%

**SUPPLEMENTARY INFORMATION**

**DRAFT**

# Waukesha Water Utility

Water Utility Plant

Year Ended December 31, 2025

	Balance 1/1/25	Additions	Retirements	Adjustments	Balance 12/31/25
<b>Intangible</b>					
Lease assets	\$ 212,994	\$ -	\$ -	\$ -	\$ 212,994
Miscellaneous intangible plant	<u>239,535</u>	<u>6,136</u>	<u>-</u>	<u>-</u>	<u>245,671</u>
Total intangible	<u>452,529</u>	<u>6,136</u>	<u>-</u>	<u>-</u>	<u>458,665</u>
<b>Source of Supply</b>					
Land and land rights	204,127	-	-	-	204,127
Wells and springs	1,507,630	-	-	-	1,507,630
Supply mains	<u>50,723,987</u>	<u>31,078</u>	<u>-</u>	<u>-</u>	<u>50,755,065</u>
Total source of supply	<u>52,435,744</u>	<u>31,078</u>	<u>-</u>	<u>-</u>	<u>52,466,822</u>
<b>Pumping</b>					
Land and land rights	420,206	135	-	-	420,341
Structures and improvements	22,476,066	432,428	-	-	22,908,494
Electric pumping equipment	<u>10,871,947</u>	<u>22,795</u>	<u>1,486</u>	<u>-</u>	<u>10,893,256</u>
Total pumping	<u>33,768,219</u>	<u>455,358</u>	<u>1,486</u>	<u>-</u>	<u>34,222,091</u>
<b>Water Treatment</b>					
Structures and improvements	2,785,733	-	-	-	2,785,733
Water treatment equipment	<u>3,781,643</u>	<u>39,980</u>	<u>2,017</u>	<u>-</u>	<u>3,819,606</u>
Total water treatment	<u>6,567,376</u>	<u>39,980</u>	<u>2,017</u>	<u>-</u>	<u>6,605,339</u>
<b>Transmission and Distribution</b>					
Land and land rights	110,083	-	-	-	110,083
Distribution reservoirs and standpipes	27,213,387	124,805	-	-	27,338,192
Transmission and distribution mains	91,864,032	6,298,846	712,518	-	97,450,360
Services	17,875,276	2,264,948	94,893	-	20,045,331
Meters	4,253,282	513,387	220,918	(195,871)	4,349,880
Hydrants	<u>9,366,321</u>	<u>1,153,082</u>	<u>82,093</u>	<u>-</u>	<u>10,437,310</u>
Total transmission and distribution	<u>150,682,381</u>	<u>10,355,068</u>	<u>1,110,422</u>	<u>(195,871)</u>	<u>159,731,156</u>
<b>General</b>					
Land and land rights	69,180	776,010	-	-	845,190
Structures and improvements	2,392,821	-	-	-	2,392,821
Office furniture and equipment	193,671	25,293	20,308	-	198,656
Computer equipment	611,127	23,221	67,816	-	566,532
Transportation equipment	1,402,882	324,493	105,169	-	1,622,206
Stores equipment	9,764	-	-	-	9,764
Tools, shop and garage equipment	344,782	35,671	-	-	380,453
Laboratory equipment	5,842	-	-	-	5,842
Power-operated equipment	1,088,292	-	-	-	1,088,292
Communication equipment	64,714	-	-	-	64,714
SCADA equipment	<u>2,999,487</u>	<u>73,243</u>	<u>-</u>	<u>-</u>	<u>3,072,730</u>
Total general	<u>9,182,562</u>	<u>1,257,931</u>	<u>193,293</u>	<u>-</u>	<u>10,247,200</u>
Total water utility plant	<u>\$ 253,088,811</u>	<u>\$ 12,145,551</u>	<u>\$ 1,307,218</u>	<u>\$ (195,871)</u>	<u>\$ 263,731,273</u>

## Waukesha Water Utility

Water Utility Operating Revenues and Expenses  
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Sales of water:		
Metered:		
Residential	\$ 11,126,388	\$ 8,969,730
Multifamily residential	4,101,396	3,347,993
Commercial	3,980,178	3,090,095
Industrial	1,384,119	1,143,692
Public authorities	646,413	530,887
Irrigation	<u>212,358</u>	<u>106,303</u>
Total metered sales	21,450,852	17,188,700
Private fire protection	731,573	528,720
Public fire protection	<u>5,121,441</u>	<u>3,757,503</u>
Total sales of water	<u>27,303,866</u>	<u>21,474,923</u>
Other operating revenues:		
Forfeited discounts	215,174	173,094
Rents from water property	307,806	236,350
Other	<u>186,497</u>	<u>650,605</u>
Total operating revenues	<u>28,013,343</u>	<u>22,534,972</u>
<b>Operating Expenses</b>		
Operation and maintenance:		
Source of supply:		
Operation supervision and engineering	2,903	-
Purchased water	3,059,197	2,987,711
Miscellaneous	958,332	958,332
Maintenance:		
Supervision and engineering	<u>7,982</u>	<u>12,090</u>
Total source of supply	<u>4,028,414</u>	<u>3,958,133</u>
Pumping:		
Operation supervision and engineering	30,358	20,311
Fuel or purchased power for pumping	358,978	393,822
Pumping labor	54,209	45,536
Miscellaneous	43,222	36,531
Maintenance:		
Supervision and engineering	28,069	20,644
Structures and improvements	77,495	72,026
Pumping equipment	<u>55,614</u>	<u>53,549</u>
Total pumping	<u>647,945</u>	<u>642,419</u>
Water treatment:		
Operation supervision and engineering	-	20,660
Chemicals	104,614	83,317
Operation labor	163,992	149,649
Miscellaneous	408	408
Maintenance:		
Water treatment equipment	<u>48,387</u>	<u>34,494</u>
Total water treatment	<u>317,401</u>	<u>288,528</u>

## Waukesha Water Utility

Water Utility Operating Revenues and Expenses  
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Transmission and distribution:		
Operation supervision and engineering	\$ 34,936	\$ 21,897
Storage facilities	7,700	9,629
Transmission and distribution lines	167,000	129,335
Meters	53,488	47,151
Customer installations	106,884	102,337
Miscellaneous	146,147	122,091
Maintenance:		
Supervision and engineering	52,342	32,176
Structures and improvements	245	-
Reservoirs and standpipes	1,364	15,967
Fire mains	614,198	877,557
Services	114,282	72,747
Meters	2,752	3,055
Hydrants	61,767	37,483
Miscellaneous	<u>169,803</u>	<u>72,099</u>
Total transmission and distribution	<u>1,532,908</u>	<u>1,543,524</u>
Customer accounts:		
Supervision	7,344	7,591
Meter reading	35,502	33,706
Accounting and collecting labor	277,868	256,145
Uncollectible accounts	4,475	8,154
Miscellaneous	<u>2,592</u>	<u>9,298</u>
Total customer accounts	<u>327,781</u>	<u>314,894</u>
Sales	<u>21,917</u>	<u>383,779</u>
Administrative and general:		
Salaries	205,718	197,792
Office supplies	89,808	91,700
Outside services employed	212,585	168,564
Property insurance	124,124	96,278
Injuries and damages	31,144	28,610
Employee pensions and benefits	839,155	624,784
Regulatory commission	47,766	72,181
Miscellaneous	17,556	83,495
Transportation	-	40
Maintenance	<u>190,846</u>	<u>256,696</u>
Total administrative and general	<u>1,758,702</u>	<u>1,620,140</u>
Taxes	<u>167,581</u>	<u>169,774</u>
Total operation and maintenance	8,802,649	8,921,191
Depreciation	<u>5,507,878</u>	<u>5,294,848</u>
Total operating expenses	<u>14,310,527</u>	<u>14,216,039</u>
Operating income	<u>\$ 13,702,816</u>	<u>\$ 8,318,933</u>