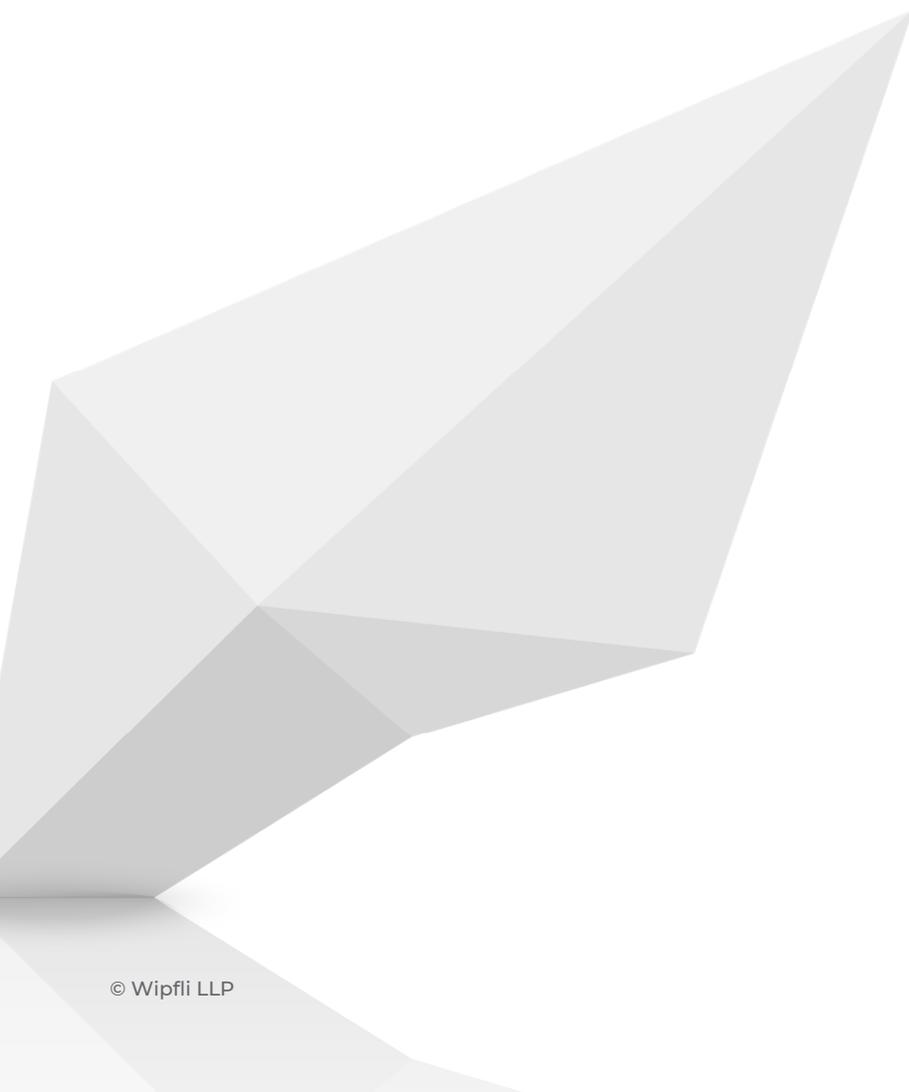


Lodi Electric, Water, and Wastewater Utilities

City of Lodi, Wisconsin

Financial Report

Year Ended December 31, 2023



Lodi Municipal Utilities
Financial Statements and Supplementary Financial Information
Year Ended December 31, 2023

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Independent Auditor's Report

Utility Commission
Lodi Municipal Utilities
Lodi, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Lodi Municipal Utilities (the "Utilities"), enterprise funds of the City of Lodi, Wisconsin, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Utilities' basic 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 respective financial position of the Lodi Municipal Utilities, enterprise funds of the City of Lodi, Wisconsin, as of December 31, 2023, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 1, the financial statements present only the enterprise funds of the City of Lodi, Wisconsin, and do not purport to, and do not present fairly the financial position of the City of Lodi, Wisconsin, as of December 31, 2023 and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 (GAAP), 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lodi Municipal Utilities's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 Lodi Municipal Utilities'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lodi Municipal Utilities's ability to continue as a going concern for a reasonable period of time.

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 schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System, and the schedules of the employer's proportionate share of the net OPEB liability (asset) and employer contributions - LRLIF be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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.

Lodi Municipal Utilities has omitted a management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the financial statements. Such missing information, 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. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utilities' basic financial statements. The utility operating revenues and expenses schedules, schedule of rates of return, and debt coverage, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Madison, Wisconsin
March 20, 2024

Lodi Electric Utility

Statement of Net Position

December 31, 2023

Assets:	
Current assets:	
Cash and investments	\$ 1,161,839
Accounts receivable	294,838
Inventory	144,288
Total current assets	<u>1,600,965</u>
Noncurrent assets:	
Restricted cash and investments	173,080
Capital assets, nondepreciable	128,152
Capital assets, depreciable	3,660,298
Total noncurrent assets	<u>3,961,530</u>
Total assets	<u>5,562,495</u>
Deferred outflows related to pensions/OPEB	345,638
Total assets and deferred outflows of resources	<u>\$ 5,908,133</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 185,943
Other accrued liabilities	29,581
Current portion of long-term debt	42,528
Total current liabilities	<u>258,052</u>
Noncurrent liabilities:	
Long term debt, net of premiums	161,836
Compensated absences	32,021
Net pension liability	89,922
Post-employment benefits	13,594
Total noncurrent liabilities	<u>297,373</u>
Total liabilities	<u>555,425</u>
Deferred inflows related to pensions/OPEB	200,475
Total liabilities and deferred inflows of resources	<u>755,900</u>
Net position:	
Net investment in capital assets	3,584,086
Restricted	173,080
Unrestricted	1,395,067
Total net position	<u>5,152,233</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,908,133</u>

See accompanying notes to the financial statements.

Lodi Electric Utility

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2023

Operating revenues:	
Charges for services	\$ 3,498,025
Other operating revenues	41,815
Total operating revenues	<u>3,539,840</u>
Operating expenses:	
Operation and maintenance	2,935,666
Depreciation	295,254
Total operating expenses	<u>3,230,920</u>
Operating income	<u>308,920</u>
Nonoperating revenues (expenses):	
Interest income (loss)	44,384
Interest expense	(3,271)
Gain (loss) on sale of capital assets	(223)
Total nonoperating revenues (expenses)	<u>40,890</u>
Net income before capital contributions and transfers	<u>349,810</u>
Capital contributions	58,632
Transfers out	<u>(96,797)</u>
Change in net position	<u>311,645</u>
Net position - beginning	<u>4,840,588</u>
Net position - ending	<u>\$ 5,152,233</u>

See accompanying notes to the financial statements.

Lodi Electric Utility

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 3,551,382
Cash payments to suppliers	(2,647,094)
Cash payments to employees	(431,344)
Net cash provided by operating activities	472,944
Cash flows from noncapital financing activities:	
Transfer out	(96,797)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(212,486)
Principal payments on long-term debt	(162,528)
Interest payments on long-term debt	(4,398)
Net cash (used) by capital and related financing activities	(379,412)
Cash flows from investing activities:	
Interest income received	44,384
Change in cash and cash equivalents	41,119
Cash and cash equivalents - beginning	1,293,800
Cash and cash equivalents - ending	\$ 1,334,919
Reconciliation to the Statement of Net Position:	
Cash and investments - current	\$ 1,161,839
Restricted cash and investments - noncurrent	173,080
Cash and cash equivalents - ending	\$ 1,334,919
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 308,920
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	295,254
Change in pension related assets, deferred outflows, liabilities, and deferred inflows	21,720
Changes in assets, liabilities and deferrals	
Receivables	11,542
Inventory	(41,053)
Accounts payable	(114,969)
Accrued liabilities	(14,675)
Compensated absences	6,205
Net cash provided by operating activities	\$ 472,944

See accompanying notes to the financial statements.

Lodi Water Utility

Statement of Net Position

December 31, 2023

Assets:

Current assets:

Cash and investments	\$	481,563
Accounts receivable		78,739
Inventory		52,160
Total current assets		<u>612,462</u>

Noncurrent assets:

Restricted cash and investments		74,000
Capital assets, nondepreciable		2,257,577
Capital assets, depreciable		<u>7,127,935</u>
Total noncurrent assets		<u>9,459,512</u>
Total assets		<u>10,071,974</u>

Deferred outflows related to pensions/OPEB
Total assets and deferred outflows of resources

182,918
\$ 10,254,892

Liabilities:

Current liabilities:

Accounts payable	\$	6,622
Other accrued liabilities		46,770
Current portion of long-term debt		<u>144,849</u>
Total current liabilities		<u>198,241</u>

Noncurrent liabilities:

Long term debt, net of premiums		3,491,571
Compensated absences		19,068
Net pension liability		47,588
Post-employment benefits		<u>7,194</u>
Total noncurrent liabilities		<u>3,565,421</u>
Total liabilities		<u>3,763,662</u>

Deferred inflows related to pensions/OPEB
Total liabilities and deferred inflows of resources

106,095
3,869,757

Net position:

Net investment in capital assets		5,749,092
Restricted		74,000
Unrestricted		<u>562,043</u>
Total net position		<u>6,385,135</u>
Total liabilities, deferred inflows of resources and net position	\$	<u>10,254,892</u>

See accompanying notes to the financial statements.

Lodi Water Utility

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2023

Operating revenues:	
Charges for services	\$ 985,350
Other operating revenues	22,948
Total operating revenues	<u>1,008,298</u>
Operating expenses:	
Operation and maintenance	400,108
Depreciation	297,423
Total operating expenses	<u>697,531</u>
Operating income	<u>310,767</u>
Nonoperating revenues (expenses):	
Interest income (loss)	24,416
Interest expense	(82,212)
Gain (loss) on sale of capital assets	(5,557)
Total nonoperating revenues (expenses)	<u>(63,353)</u>
Net income before capital contributions and transfers	<u>247,414</u>
Capital contributions	572
Transfers out	<u>(140,424)</u>
Change in net position	<u>107,562</u>
Net position - beginning	<u>6,277,573</u>
Net position - ending	<u>\$ 6,385,135</u>

See accompanying notes to the financial statements.

Lodi Water Utility

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 996,559
Cash payments to suppliers	(191,459)
Cash payments to employees	(205,741)
Net cash provided by operating activities	599,359
Cash flows from noncapital financing activities:	
Transfer out	(140,424)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,383,087)
Principal payments on long-term debt	1,795,147
Interest payments on long-term debt	(26,111)
Sale of capital assets	525
Net cash (used) by capital and related financing activities	(613,526)
Cash flows from investing activities:	
Interest income received	24,416
Change in cash and cash equivalents	(130,175)
Cash and cash equivalents - beginning	685,738
Cash and cash equivalents - ending	\$ 555,563
Reconciliation to the Statement of Net Position:	
Cash and investments - current	\$ 481,563
Restricted cash and investments - noncurrent	74,000
Cash and cash equivalents - ending	\$ 555,563
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 310,767
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	297,423
Change in pension related assets, deferred outflows, liabilities, and deferred inflows	8,232
Changes in assets, liabilities and deferrals	
Receivables	(11,739)
Inventory	(11,556)
Accounts payable	2,264
Accrued liabilities	(1,309)
Compensated absences	5,277
Net cash provided by operating activities	\$ 599,359

See accompanying notes to the financial statements.

Lodi Wastewater Utility

Statement of Net Position

December 31, 2023

Assets:

Current assets:

Cash and investments	\$	932,168
Accounts receivable		91,249
Total current assets		<u>1,023,417</u>

Noncurrent assets:

Restricted cash and investments		766,938
Capital assets, nondepreciable		129,708
Capital assets, depreciable		<u>3,925,281</u>
Total noncurrent assets		<u>4,821,927</u>
Total assets		<u>5,845,344</u>

Deferred outflows related to pensions/OPEB		240,665
Total assets and deferred outflows of resources	\$	<u>6,086,009</u>

Liabilities:

Current liabilities:

Other accrued liabilities	\$	17,621
Current portion of long-term debt		39,100
Total current liabilities		<u>56,721</u>

Noncurrent liabilities:

Long term debt, net of premiums		321,459
Compensated absences		76,138
Net pension liability		62,612
Post-employment benefits		<u>9,466</u>
Total noncurrent liabilities		<u>469,675</u>
Total liabilities		<u>526,396</u>

Deferred inflows related to pensions/OPEB		139,588
Total liabilities and deferred inflows of resources		<u>665,984</u>

Net position:

Net investment in capital assets		3,694,430
Restricted		766,938
Unrestricted		<u>958,657</u>
Total net position		<u>5,420,025</u>
Total liabilities, deferred inflows of resources and net position	\$	<u>6,086,009</u>

See accompanying notes to the financial statements.

Lodi Wastewater Utility

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2023

Operating revenues:	
Charges for services	\$ 943,266
Other operating revenues	4,729
Total operating revenues	<u>947,995</u>
Operating expenses:	
Operation and maintenance	569,745
Depreciation	229,857
Total operating expenses	<u>799,602</u>
Operating income	<u>148,393</u>
Nonoperating revenues (expenses):	
Interest income (loss)	66,365
Interest expense	(12,207)
Gain (loss) on sale of capital assets	(3,871)
Total nonoperating revenues (expenses)	<u>50,287</u>
Change in net position	<u>198,680</u>
Net position - beginning	<u>5,221,345</u>
Net position - ending	<u>\$ 5,420,025</u>

See accompanying notes to the financial statements.

Lodi Wastewater Utility

Statement of Cash Flows For the Year Ended December 31, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 939,928
Cash payments to suppliers	(270,588)
Cash payments to employees	(299,758)
Net cash provided by operating activities	<u>369,582</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(231,775)
Principal payments on long-term debt	(39,100)
Interest payments on long-term debt	(13,444)
Sale of capital assets	-
Net cash (used) by capital and related financing activities	<u>(284,319)</u>
Cash flows from investing activities:	
Interest income received	<u>66,365</u>
Change in cash and cash equivalents	<u>151,628</u>
Cash and cash equivalents - beginning	1,547,478
Cash and cash equivalents - ending	<u>\$ 1,699,106</u>
Reconciliation to the Statement of Net Position:	
Cash and investments - current	\$ 932,168
Restricted cash and investments - noncurrent	766,938
Cash and cash equivalents - ending	<u>\$ 1,699,106</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 148,393
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	229,857
Change in pension related assets, deferred outflows, liabilities, and deferred inflows	24,474
Changes in assets, liabilities and deferrals	
Receivables	(8,067)
Accounts payable	(21,904)
Accrued liabilities	(7,047)
Compensated absences	3,876
Net cash provided by operating activities	<u>\$ 369,582</u>

See accompanying notes to the financial statements.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Introduction

The financial statements of the Lodi Municipal Utilities (the "Utilities") have been prepared to conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the Utilities.

The Financial Reporting Entity

The Utilities are enterprise funds of the City of Lodi, Wisconsin (the "City"). In accordance with GAAP, the financial statements are required to include the Utilities and any separate component units that have a significant operational or financial relationship with the Utilities. The Utilities has not identified any component units that are required to be included in the financial statements.

The accounts of the Utilities are accounted for in an enterprise fund as required by GAAP. Enterprise funds are used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The accompanying financial statements do not purport to, and do not, present the financial position, changes in financial position and cash flows, where applicable, of the City of Lodi, Wisconsin as a whole.

The Utilities reports the following major funds:

Electric Utility – This fund accounts for the City's operation and maintenance of the electric utility system for residents, business entities, and public authorities of the City.

Water Utility – This fund accounts for the City's operation and maintenance of the water distribution system for residents, business entities, and public authorities of the City.

Wastewater Utility – This fund accounts for the City's operation and maintenance of the wastewater treatment and disposal system for residents, business entities and public authorities of the City.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

Deposits and Investments

For purposes of the statement of cash flows, the Utilities consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments of individual funds are pooled unless maintained in segregated accounts and are carried at fair value.

- Investment of the City's funds are restricted by state statutes. Investments are limited to:
- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- 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 Clinic 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.

Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Accounts Receivable

The Utilities have the right under Wisconsin statutes to place delinquent electric, water, and wastewater bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

Inventories

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. Inventory items are expensed in the period used. Any materials and supplies on hand at year-end are valued at the lower of cost, determined on the first-in, first out (FIFO) method, or market.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Utilities maintain a threshold level of \$5,000 or more for capitalizing assets.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the Utilities, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 18 to 100 years for infrastructure, site improvements, and buildings and 3 to 32 years for equipment.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Internal balances between funds of the governmental activities or funds of the business-type activities are eliminated in the government-wide financial statements.

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed as incurred.

Accumulated Unpaid Sick Pay and Other Employee Benefit Amounts

Compensated absences - The estimated amount of accumulated sick leave that will be paid after retirement is recorded as a liability on the statements of net position. Vested vacation pay is also recorded as a liability. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at year end are determined on the basis of current salary rates and include salary related payments. Governmental funds recognize expenditures for sick leave and vacation when paid. Employees may accumulate up to 120 days of sick leave. Employees who retire with 15 years of continuous services preceding the date of retirement or have attained age fifty-five (55) or fifty (50) if the employee is a protective category employee are paid their accumulated sick leave to pay health insurance premiums. No payment is made if the employee resigns or is terminated.

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,
- 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.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accumulated Unpaid Sick Pay and Other Employee Benefit Amounts (Continued)

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

- Net OPEB Liability,
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits, and
- OPEB Expense (Revenue).

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Utilities have one type of item that qualifies for reporting in this category. They are the deferred outflows related to pensions and OPEB. The deferred outflows of resources related to pensions represent the Utilities' proportionate share of collective deferred outflows of resources related to pensions and Utilities' contributions to pension and OPEB plans subsequent to the measurement date of the collective net pension/OPEB liability (asset) for the WRS and LRLIF plans.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Utilities have one type of item that qualifies for reporting in this category. They are deferred inflows of resources related to pensions for its proportionate share of the collective deferred inflows of resources related to pensions for the WRS plan and OPEB for the LRLIF plan.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance (adjusted for unspent proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Utilities policy to use externally restricted resources first.

Lodi Municipal Utilities

Notes to Financial Statements

Note 2: Cash and Investments

The Utilities' cash and investment balances at December 31, 2023 were as follows:

	Amount	Fair Value Level
Deposits with financial institutions	\$ 1,922,761	N/A
Cash on hand	150	N/A
Investments:		
U.S. agencies	902,699	Level 2
Money market funds	5,140	Level 2
Bonds Proceed Investments	218,817	Level 2
Certificates of deposit	540,021	Level 2
Total	\$ 3,589,588	

The Utilities' cash and investment balances as shown in the basic financial statements are as follows:

Electric Utility:		
Cash and investments		\$ 1,161,839
Restricted cash and investments		173,080
Water Utility		
Cash and investments		481,563
Restricted cash and investments		74,000
Wastewater Utility		
Cash and investments		932,168
Restricted cash and investments		766,938
Total		\$ 3,589,588

Deposits

Deposits at each bank in the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing). Accounts at each institution outside the state of Wisconsin are insured by the FDIC up to \$250,000 for the combined total of all deposit accounts. In addition, the State of Wisconsin Public Depository Guarantee Fund guarantees the Utilities' deposits up to \$400,000 per public depository. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Utilities' deposits may not be returned to it. The Utilities' does have a deposit policy for custodial credit risk. Funds may only be invested up to \$500,000 at any financial institution unless the excess is collateralized.

As of December 31, 2023, the Utilities' bank balance of \$1,922,761 was exposed to custodial credit risk as follows: \$250,000 was covered by FDIC insurance, \$400,000 was covered by the State of Wisconsin, and \$1,272,761 was covered by collateral held in the Utilities' name.

Lodi Municipal Utilities

Notes to Financial Statements

Note 2: Cash and Investments (Continued)

Investments

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. agencies	\$ 902,699	\$ 435,322	\$ 256,124	\$ 211,253	\$ -
Money market funds	5,140	5,140	-	-	-
Bonds Proceed Investments	218,817	218,817	-	-	-
Certificates of deposit	540,021	297,227	153,365	89,429	-
Total	\$ 1,666,677	\$ 956,506	\$ 409,489	\$ 300,682	\$ -

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Total	AAA	AA+	AA	A+	A-	BBB+	Unrated
U.S. agencies	\$ 902,699	\$347,119	\$ 555,580	\$ -	\$ -	\$ -	\$ -	\$ -
Money market funds	5,140	-	-	-	-	-	-	5,140
Bonds Proceed Investments	218,817	-	-	-	-	-	-	218,817
Certificates of deposit	540,021	-	-	-	-	-	-	540,021
Total	\$ 1,666,677	\$347,119	\$ 555,580	\$ -	\$ -	\$ -	\$ -	\$763,978

Lodi Municipal Utilities

Notes to Financial Statements

Note 3: Restricted Assets

Restricted assets consist of cash and investments held for the following purposes:

Redemption and Reserve Accounts

Accounts shall be maintained with amounts sufficient to pay the principal and interest on the bonds when due plus a reserve equal to the highest annual debt service requirement.

Replacement Account

The wastewater utility has established an equipment replacement account to be used for significant wastewater treatment mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Purpose	Total	Electric Utility	Water Utility	Wastewater Utility
Redemption/Reserve Account	\$ 1,014,018	\$ 173,080	\$ 74,000	\$ 766,938

Note 4: Interfund Balances and Activity

Interfund transfers for the year ended December 31, 2023 were as follows:

Transfer From:	Transfers To:	Amount
Electric Utility	General Fund	\$ 96,797
Water Utility	General Fund	140,424
Total Transfers		\$ 237,221

The purpose of the transfer above was for the tax equivalent payment.

Lodi Municipal Utilities

Notes to Financial Statements

Note 5: Capital Assets

Capital asset balances and activity for the year ended December 31, 2023, were as follows:

Electric Utility	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Capital assets, not being depreciated:				
Land	\$ 49,111	\$ -	\$ -	\$ 49,111
Construction in progress	50,560	79,041	(50,560)	79,041
Total capital assets, not being depreciated	99,671	79,041	(50,560)	128,152
Capital assets, being depreciated:				
Distribution	7,334,553	230,185	(10,976)	7,553,762
General	966,125	12,455	-	978,580
Total capital assets, being depreciated	8,300,678	242,640	(10,976)	8,532,342
Less Accumulated depreciation	(4,587,540)	(295,254)	10,750	(4,872,044)
Total capital assets, being depreciated, net	3,713,138	(52,614)	(226)	3,660,298
Capital assets, net	\$ 3,812,809	\$ 26,427	\$ (50,786)	\$ 3,788,450

Water Utility	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Capital assets, not being depreciated:				
Land	\$ 57,387	\$ -	\$ -	\$ 57,387
Construction in progress	97,319	2,200,190	(97,319)	2,200,190
Total capital assets, not being depreciated	154,706	2,200,190	(97,319)	2,257,577
Capital assets, being depreciated:				
Source of supply	431,781	-	-	431,781
Pumping	2,061,568	-	-	2,061,568
Water treatment	24,017	-	-	24,017
Transmission and distribution	7,018,798	296,832	(44,579)	7,271,051
General	770,038	-	-	770,038
Total capital assets, being depreciated	10,306,202	296,832	(44,579)	10,558,455
Less Accumulated depreciation	(3,155,550)	(297,423)	22,453	(3,430,520)
Total capital assets, being depreciated, net	7,150,652	(591)	(22,126)	7,127,935
Capital assets, net	\$ 7,305,358	\$ 2,199,599	\$ (119,445)	\$ 9,385,512

Lodi Municipal Utilities

Notes to Financial Statements

Note 5: Capital Assets (Continued)

Wastewater Utility	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Capital assets, not being depreciated:				
Construction in progress	\$ 31,327	\$ 129,708	\$ (31,327)	\$ 129,708
Total capital assets, not being depreciated	31,327	129,708	(31,327)	129,708
Capital assets, being depreciated:				
Collection system	2,793,385	-	-	2,793,385
Collection system pumping	96,540	-	-	96,540
Treatment and disposal	5,680,103	41,234	(16,861)	5,704,476
General	649,612	92,160	(9,719)	732,053
Total capital assets, being depreciated	9,219,640	133,394	(26,580)	9,326,454
Less accumulated depreciation	(5,194,025)	(229,857)	22,709	(5,401,173)
Total capital assets, being depreciated, net	4,025,615	(96,463)	(3,871)	3,925,281
Capital assets, net	\$ 4,056,942	\$ 33,245	\$ (35,198)	\$ 4,054,989

Note 6: Long-Term Obligations

Long-term obligations of the Utilities are as follows:

Electric Utility	Balance 1/1/23	Additions	Reductions	Balance 12/31/23	Amounts Due Within One Year
Revenue Bonds	\$ 180,000	\$ -	\$ 130,000	\$ 50,000	\$ 10,000
GO Notes	185,964	-	32,528	153,436	32,528
Debt Discount	(405)	-	(405)	-	-
Debt Premium	1,336	-	408	928	-
Compensated Absences	25,816	6,205	-	32,021	-
Net Pension Liability	-	89,922	-	89,922	-
Net OPEB Liability	21,631	-	8,037	13,594	-
Totals	\$ 414,342	\$ 96,127	\$ 170,568	\$ 339,901	\$ 42,528

Lodi Municipal Utilities

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

<i>Water Utility</i>	Balance 1/1/23	Additions	Reductions	Balance 12/31/23	Amounts Due Within One Year
GO Bonds	\$ 8,338	\$ 1,935,000	\$ 4,169	\$ 1,939,169	\$ 4,169
Revenue Bonds	1,585,000	-	75,000	1,510,000	80,000
GO Notes	179,718	-	60,684	119,034	60,680
Debt Premium	35,518	32,699	-	68,217	-
Compensated Absences	13,791	5,277	-	19,068	-
Net Pension Liability	-	47,588	-	47,588	-
Net OPEB Liability	10,333	-	3,139	7,194	-
Totals	\$ 1,832,698	\$ 2,020,564	\$ 142,992	\$ 3,710,270	\$ 144,849

<i>Wastewater Utility</i>	Balance 1/1/23	Additions	Reductions	Balance 12/31/23	Amounts Due Within One Year
GO Notes	\$ 26,950	\$ -	\$ 9,100	\$ 17,850	\$ 9,100
Revenue Bonds	365,000	-	30,000	335,000	30,000
Debt Premium	8,480	-	771	7,709	-
Compensated Absences	72,262	3,876	-	76,138	-
Net Pension Liability	-	62,612	-	62,612	-
Net OPEB Liability	18,253	-	8,787	9,466	-
Totals	\$ 490,945	\$ 66,488	\$ 48,658	\$ 508,775	\$ 39,100

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. Business-type activities debt is payable by revenues from user fees of those funds, or if the revenues are not sufficient, by future tax levies.

Debt at December 31, 2023 is comprised of the following individual issues:

<i>General Obligation Debt</i>	Issue Dates	Interest Rates %	Dates of Maturity	Balance 12/31/23
2012A GO Bonds	03/28/12	1.20-2.75%	03/01/24	\$ 4,169
2012A GO Notes	06/11/15	0.75-2.4%	05/01/25	166,362
2023A GO Bonds	08/10/2023	4.00%	03/01/24	1,935,000
Taxable note anticipation notes	02/08/21	0%	02/28/31	123,958
Total general obligation debt				\$ 2,229,489

<i>Mortgage Revenue Bonds</i>	Issue Dates	Interest Rates %	Dates of Maturity	Balance 12/31/23
2018A Revenue Bonds	04/12/18	3.00-4.00%	05/01/38	\$ 1,895,000

Lodi Municipal Utilities

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

Debt service requirements to maturity on general obligation debt are as follows:

Electric Utility

<i>Year Ended:</i>	Principal	Interest
2024	\$ 42,528	\$ 2,115
2025	41,950	1,373
2026	27,500	800
2027	27,500	450
2028	27,500	150
2029-2031	36,458	-
Totals	\$ 203,436	\$ 4,888

Water Utility

<i>Year Ended:</i>	Principal	Interest
2024	\$ 144,849	\$ 143,040
2025	208,354	125,985
2026	155,000	119,185
2027	185,000	112,835
2028	165,000	106,735
2029-2033	915,000	439,378
2034-2038	1,110,000	249,545
2039-2043	685,000	70,500
Totals	\$ 3,568,203	\$ 1,367,203

Wastewater Utility

<i>Year Ended:</i>	Principal	Interest
2024	\$ 39,100	\$ 11,275
2025	38,750	9,868
2026	30,000	8,563
2027	35,000	7,438
2028	35,000	6,388
2029-2033	175,000	15,077
Totals	\$ 352,850	\$ 58,609

Lodi Municipal Utilities

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

The Utilities have pledged future revenue derived from the Electric, Water, and Wastewater Utilities, net of specified operating expenses, to repay the 2018 revenue bonds. Proceeds of \$2,370,000 from the debt provided financing for the construction or acquisition of capital assets used within the utilities. The revenue bonds are payable from the Electric, Water, and Wastewater net revenues and payable through 2038. The total principal and interest remaining to be paid on the 2038 revenue bonds is \$2,897,773. For the 2018 bonds, the reserve requirement is \$559,505 across all of the Utility Funds. The Utilities did meet the 2018 revenue bond reserve requirements as of December 31, 2023.

Note 7: Net Position

Net position reported on the statements of net position at December 31, 2023 include the following:

	Electric Utility	Water Utility	Wastewater Utility
Net investment in capital assets:			
Land and other nondepreciable assets	\$ 128,152	\$ 2,257,577	\$ 129,708
Other capital assets, net of accumulated depreciation	3,660,298	7,127,935	3,925,281
Less: related long-term debt outstanding	(204,364)	(3,636,420)	(360,559)
Total net investment in capital assets	3,584,086	5,749,092	3,694,430
Restricted:			
Debt service	173,080	74,000	766,938
Unrestricted	1,395,067	562,043	958,657
Total net position	\$ 5,152,233	\$ 6,385,135	\$ 5,420,025

Note 8: Employee Retirement Plans - Wisconsin Retirement System

Plan Description: The Wisconsin Retirement System (WRS) is a cost-sharing, multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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 the employee's date of hire are eligible to participate in the WRS.

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

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

Benefits Provided: Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan 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 years' annual earnings periods. 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 or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may 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.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2013	(9.6)%	9.0 %
2014	4.7 %	25.0 %
2015	2.9 %	2.0 %
2016	0.5 %	(5.0)%
2017	2.0 %	4.0 %
2018	2.4 %	17.0 %
2019	0.0 %	(10.0)%
2020	1.7 %	21.0 %
2021	5.1 %	13.0 %
2022	7.4 %	15.0 %

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

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 on January 1, 2006, 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. During the reporting period ended, the WRS recognized \$50,998 in contributions from the employer.

Contribution rates as of December 31, 2023, are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.80 %	6.80 %
Protective with social security	6.80	13.20
Protective without social security	6.80	18.10

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2023, the Utilities reported an liability of \$200,122 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net pension liability was based on each fund's allocation of the Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the Utilities' proportion was 0.00377754%, which was an increase of 0.00008985% from its proportion measured as of December 31, 2021. For the year ended December 31, 2023, the Utilities recognized pension expense of \$100,564.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 318,734	\$ 418,745
Change in assumptions	39,352	-
Net differences between projected and actual earnings on pension plan investments	339,963	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,255	3,176
Employer contributions subsequent to the measurement date	50,998	-
Total	\$ 750,302	\$ 421,921

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

\$50,998 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2024	\$ 10,897
2025	57,480
2026	58,817
2027	150,189
Total	\$ 277,383

Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2021
Measurement date of net pension liability (asset)	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Long-term expected rate of return	6.8%
Discount rate	6.8%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Post-retirement adjustments*	1.7%

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Actuarial assumptions are based on an experience study conducted in 2020 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2022, is based on a rollforward of the liability calculated from the December 31, 2021, actuarial valuation.

Long-Term Expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns

As of December 31, 2022

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	48.0 %	7.6 %	5.0 %
Fixed income	25.0 %	5.3 %	2.7 %
Inflation sensitive assets	19.0 %	3.6 %	1.1 %
Real estate	8.0 %	5.2 %	2.6 %
Private equity/debt	15.0 %	9.6 %	6.9 %
Total core fund	<u>115.0 %</u>	<u>7.4 %</u>	<u>4.8 %</u>
<u>Variable Fund Asset Class</u>			
U.S. equities	70.0 %	7.2 %	4.6 %
International equities	30.0 %	8.1 %	5.5 %
Total variable fund	<u>100.0 %</u>	<u>7.7 %</u>	<u>5.1 %</u>

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Single Discount Rate: A single discount rate of 6.8% was used to measure the Total Pension Liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2022. 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 6.8% 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 municipal bond 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 Utilities' Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the current rate:

2020	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Utilities' proportionate share of the net pension liability (asset)	\$ 664,202	\$ 200,122	\$ (119,123)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund

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 post-employment 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 <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Benefits Provided

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

Contributions

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

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

Contribution rates as of December 31, 2023, are as follows:

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

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 year ended December 31, 2022, are as follows:

Life Insurance			
Member Contribution Rates			
For the year ended December 31, 2022			
Attained Age	Basic	Supplemental	
Under 30	\$	0.05	\$ 0.05
30-34		0.06	0.06
35-39		0.07	0.07
40-44		0.08	0.08
45-49		0.12	0.12
50-54		0.22	0.22
55-59		0.39	0.39
60-64		0.49	0.49
65-69		0.57	0.57

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

During the reporting period, the LRLIF recognized \$159 in contributions from the employer.

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

At December 31, 2023, the Utilities reported a liability of \$30,254 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability was based on each fund's allocation of the Utilities' share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2022, the Utilities' proportion was 0.00794113%, which was an decrease of 0.00055535% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the Utilities recognized OPEB expense of \$3,698.

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,961
Net differences between projected and actual earnings on OPEB plan investments	567	-
Change in assumptions	10,870	17,858
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,482	3,418
Total	\$ 18,919	\$ 24,237

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2024	\$ 53
2025	(58)
2026	699
2027	(486)
2028	(2,497)
Thereafter	(3,029)
Total	\$ (5,318)

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions

The total OPEB liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2022
Measurement date of net OPEB liability (asset)	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial cost method	Entry age normal
20 year tax-exempt municipal bond yield	3.72%
Long-term expected rate of return	4.25%
Discount rate	3.76%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1%-5.6%
Mortality	2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2020 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumption used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The Total OPEB Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 actuarial valuation.

Long-Term Expected Return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). 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.

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

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

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

Single Discount Rate: A single discount rate of 3.76% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the Utilities' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Utilities' proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Utilities' proportionate share of the net 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 rate:

	1% Decrease to Discount Rate	Current Discount Rate	1% Increase to Discount Rate
Utilities' proportionate share of the net OPEB liability	\$ 41,249	\$ 30,254	\$ 21,829

Note 10: Reconciliation of Deferred Outflows and Inflows

The tables below reconciles the deferred outflows and inflows from the Notes to the financial statements:

	Wisconsin Retirement System		Local Retiree Life Insurance Fund	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Electric Utility	\$ 337,137	\$ 189,584	\$ 8,501	\$ 10,891
Water Utility	178,419	100,331	4,499	5,764
Wastewater Utility	234,746	132,006	5,919	7,582
Total	\$ 750,302	\$ 421,921	\$ 18,919	\$ 24,237

Lodi Municipal Utilities

Notes to Financial Statements

Note 11: Risk Management

The Utilities' is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the Utilities' carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the Utilities' insurance coverage in fiscal 2023.

Note 12: Commitments and Contingencies

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

Long-Term Contract - WPPI

The Lodi Electric Utility purchases its electric requirements from WPPI Energy. WPPI Energy is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.073 of the Wisconsin Statutes (the act). WPPI Energy's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The Lodi Electric Utility is one of 51 members of WPPI Energy located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a new long-term power supply contract for participating members (long-term contract) under which WPPI Energy has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract has been amended to extend the term of the contract through 2037.

Under the long-term contract, the Lode Electric Utility and other members of WPPI Energy are required to pay for all power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover all of WPPI Energy's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI Energy's subsequent year's rates and operating budget are approved annually by its Board of Directors, consisting of representatives from each member municipality. The members have agreed to charge rates to retail ratepayers of their electric system sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy under the contract constitute operating expenses of the Lodi electric system payable from any operating and maintenance fund established by the Lodi Electric Utility.

The long-term contract may be terminated by either party upon five years prior written notice effective at the end of the initial thirty-five year term, or at any other time thereafter, provided that no WPPI Energy bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

Electric power purchases be the Lodi Electric Utility from the WPPI Energy for distribution to its customers under the above arrangement amounted to approximately \$2.3 million for the year ended December 31, 2023.

Required Supplementary Information

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Lodi Municipal Utilities

Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net Pension Liability (Asset) Wisconsin Retirement System (WRS)

Last 10 Calendar Years*

Measurement Date	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Electric Utility</u>					
2022	0.00169738 %	\$ 89,922	\$ 282,218	31.86 %	95.72 %
2021	0.00158846	(128,032)	269,276	(47.55)	106.02
2020	0.00178357	(111,351)	256,023	(43.49)	105.26
2019	0.00181995	(58,701)	241,855	(24.27)	102.96
2018	0.00188115	66,925	258,066	25.93	96.45
2017	0.00179474	(53,288)	245,505	(21.71)	102.93
2016	0.00171662	14,149	242,956	5.82	99.12
2015	0.00162203	26,358	216,171	12.19	98.20
2014	0.00162500	(39,917)	234,783	(17.00)	102.74
<u>Water Utility</u>					
2022	0.00089829 %	\$ 47,588	\$ 149,355	31.86 %	95.72 %
2021	0.00075883	(61,164)	120,574	(50.73)	106.02
2020	0.00079863	(49,859)	114,639	(43.49)	105.26
2019	0.00081473	(26,285)	103,570	(25.38)	102.96
2018	0.00080557	28,660	110,512	25.93	96.45
2017	0.00076856	(22,820)	105,133	(21.71)	102.93
2016	0.00073511	6,059	104,042	5.82	99.12
2015	0.00069461	11,287	92,572	12.19	98.20
2014	0.00069588	(17,102)	100,590	(17.00)	102.74
<u>Wastewater Utility</u>					
2022	0.00118187 %	\$ 62,612	\$ 196,506	31.86 %	95.72 %
2021	0.00134041	(108,039)	203,748	(53.03)	106.02
2020	0.00134954	(84,254)	193,720	(43.49)	105.26
2019	0.00123016	(39,676)	170,705	(23.24)	102.96
2018	0.00132774	47,237	182,146	25.93	96.45
2017	0.00126675	(37,611)	173,281	(21.71)	102.93
2016	0.00121161	9,987	171,481	5.82	99.12
2015	0.00114485	18,604	152,576	12.19	98.20
2014	0.00114695	(28,173)	165,710	(17.00)	102.74

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Lodi Municipal Utilities (Continued)

Last 10 Years*

Schedule of the Employer Contributions

Wisconsin Retirement System (WRS)

Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll for the Fiscal Year	Contributions as a Percentage of Covered Payroll
<u>Electric Utility</u>					
2023	\$ 20,039	\$ 20,039	-	\$ 274,528	7.30 %
2022	19,026	19,026	-	282,218	6.74
2021	20,218	20,218	-	269,276	7.51
2020	20,411	20,411	-	256,023	7.97
2019	19,646	19,646	-	241,855	8.12
2018	19,786	19,786	-	258,066	7.67
2017	18,597	18,597	-	245,505	7.57
2016	18,046	18,046	-	242,956	7.43
2015	15,911	15,911	-	216,171	7.36
<u>Water Utility</u>					
2023	10,605	10,605	-	145,285	7.30
2022	9,089	9,089	-	149,355	6.09
2021	9,053	9,053	-	120,574	7.51
2020	9,142	9,142	-	114,639	7.97
2019	8,413	8,413	-	103,570	8.12
2018	8,473	8,473	-	110,512	7.67
2017	7,964	7,964	-	105,133	7.58
2016	7,728	7,728	-	104,042	7.43
2015	6,813	6,813	-	92,572	7.36
<u>Wastewater Utility</u>					
2023	13,953	13,953	-	191,152	7.30
2022	16,055	16,055	-	196,506	8.17
2021	15,298	15,298	-	203,748	7.51
2020	13,803	13,803	-	193,720	7.13
2019	13,866	13,866	-	170,705	8.12
2018	13,965	13,965	-	182,146	7.67
2017	13,126	13,126	-	173,281	7.57
2016	12,737	12,737	-	171,481	7.43
2015	11,230	11,230	-	152,576	7.36

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Lodi Municipal Utilities (Continued)

Last 10 Years*

Notes to the Schedules:

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

Changes of assumptions: Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Lodi Municipal Utilities

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2022	2021	2020	2019	2018
Valuation Date:	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Actuarial Cost Method:	Frozen Entry Age				
	Level Percent of Payroll-Closed				
Amortization Method:	Amortization Period				
	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Amortization Period:	Five Year Smoothed				
Asset Valuation Method:	Market (Closed)				
Actuarial Assumptions					
Net Investment Rate of Return:	5.4%	5.4%	5.4%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.0%	7.0%	7.0%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.0%	3.0%	3.0%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	1.9%	1.9%	1.9%	2.1%	2.1%

Lodi Municipal Utilities

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions (continued):

	2022	2021	2020	2019	2018
Retirement Age:	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.
Mortality:	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).

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

Lodi Municipal Utilities

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions (continued):

	2017	2016	2015	2014	2013
Valuation Date:	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Actuarial Cost Method:	Frozen Entry Age				
	Level Percent of				
	Payroll-Closed	Payroll-Closed	Payroll-Closed	Payroll-Closed	Payroll-Closed
Amortization Method:	Amortization Period				
	30 Year closed from				
	date of participation in				
	WRS	WRS	in WRS	in WRS	in WRS
Amortization Period:	Five Year Smoothed				
Asset Valuation Method:	Market (Closed)				
Actuarial Assumptions					
Net Investment Rate of Return:	5.5%	5.5%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.2%	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.2%	3.2%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	2.1%	2.1%	2.1%	2.1%	2.1%

Lodi Municipal Utilities

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions (continued):

<i>Year Ended December 31, 2023</i>	2017	2016	2015	2014	2013	
Retirement Age:	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2006 - 2008.
Mortality:	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin Projected Experience Table - 2005 for women and 90% of the Wisconsin Projected Experience Table - 2005 for men.

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

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - Life Insurance Benefits

Lodi Municipal Utility

Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net OPEB Liability (Asset) Life Insurance Benefit

Measurement Date December 31,	Utility's Proportion of the Net OPEB Liability (Asset)	Utility's Proportionate Share of the Net OPEB Liability (Asset)	Utility's Covered Payroll	Utility's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<u>Electric Utility</u>					
2022	0.00356823 %	\$ 13,594	\$ 165,314	8.22 %	38.81 %
2021	0.00365982	21,631	205,266	10.54	29.57
2020	0.00344930	18,971	190,246	9.97	31.36
2019	0.00310676	13,226	177,005	7.47	37.58
2018	0.00281427	7,262	130,845	5.55	48.69
2017	0.00302081	9,088	127,034	7.15	44.81
<u>Water Utility</u>					
2022	0.00188837 %	\$ 7,194	\$ 87,487	8.22 %	38.81 %
2021	0.00174835	10,333	91,912	11.24	29.57
2020	0.00154449	8,496	85,186	9.97	31.36
2019	0.00141230	6,014	75,799	7.93	37.58
2018	0.00120516	3,110	56,032	5.55	48.69
2017	0.00129361	3,892	54,400	7.15	44.81
<u>Wastewater Utility</u>					
2022	0.00248453 %	\$ 9,466	\$ 115,107	8.22 %	38.81 %
2021	0.00308832	18,253	155,315	11.75	29.57
2020	0.00260992	14,356	143,950	9.97	31.36
2019	0.00171662	7,310	124,932	5.85	37.58
2018	0.00198635	5,125	92,352	5.55	48.69
2017	0.00213212	6,415	89,662	7.15	44.81

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - Life Insurance Benefits Lodi Municipal Utility (Continued)

Last 10 Years*

Schedule of the Employer Contributions Local Retiree Life Insurance Fund (LRLIF)

Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll for the Fiscal Period	Contributions as a Percentage of Covered Payroll
<u>Electric Utility</u>					
2023	\$ 71	\$ 71	\$ -	\$ 173,580	0.0409 %
2022	75	75	-	165,314	0.0454
2021	69	69	-	205,266	0.0336
2020	56	56	-	190,246	0.0294
2019	54	54	-	177,005	0.0305
2018	63	63	-	130,845	0.0481
<u>Water Utility</u>					
2023	\$ 38	\$ 38	\$ -	\$ 91,862	0.0414 %
2022	36	36	-	87,487	0.0411
2021	31	31	-	91,912	0.0337
2020	26	26	-	85,186	0.0305
2019	23	23	-	75,799	0.0303
2018	27	27	-	50,032	0.0540
<u>Wastewater Utility</u>					
2023	\$ 50	\$ 50	\$ -	\$ 120,862	0.0414 %
2022	63	63	-	115,107	0.0547
2021	52	52	-	155,315	0.0335
2020	31	31	-	143,950	0.0215
2019	38	38	-	124,932	0.0304
2018	44	44	-	92,352	0.0476

Lodi Municipal Utilities
Schedules of the Employer's Proportionate Share of the Net OPEB Liability (Asset)
and Employer Contributions - Life Insurance Benefits
Lodi Municipal Utility (Continued)
Last 10 Years*

Notes to the Schedules:

Changes of benefit terms: There were no recent changes of benefit terms.

Changes of assumptions: In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Supplementary Financial Information

Lodi Electric Utility

Electric Utility Operating Revenues and Expenses

For the Year Ended December 31, 2023

Operating Revenues	
Charges for services	
Residential	\$ 1,572,097
Small commercial and industrial	1,162,134
Large commercial and industrial	665,261
Public street and highway lighting	66,082
Interdepartmental sales	32,451
Total charges for services	<u>3,498,025</u>
Other operating revenues	
Forfeited discounts	2,873
Miscellaneous service revenues	515
Rent from electric property	35,846
Other	2,581
Total other operating revenues	<u>41,815</u>
Total operating revenues	<u>3,539,840</u>
Operating Expenses	
Operation and maintenance	
Purchased power	<u>2,349,677</u>
Distribution	
Operation, supervision, and engineering	22,821
Station	3,976
Meter	877
Maintenance	
Lines	101,101
Line transformers	4,562
Street lighting and signal system	21,033
Miscellaneous	3,217
Total distribution	<u>157,587</u>
Customer accounts	
Meter reading	8,463
Accounting and collecting	29,148
Total customer accounts	<u>37,611</u>
Administrative and general	
Salaries	47,339
Office supplies	11,351
Outside services employed	26,705
Property insurance	25,904
Employee pension and benefits	220,202
Regulatory commission	11,547
Miscellaneous	14,757
Maintenance of general plant	32,986
Total administrative and general	<u>390,791</u>
Total operating and maintenance	<u>2,935,666</u>
Depreciation	295,254
Total operating expenses	<u>3,230,920</u>
Operating income	<u>\$ 308,920</u>

Lodi Water Utility

Water Utility Operating Revenues and Expenses

For the Year Ended December 31, 2023

Operating Revenues	
Charges for services	
Metered	
Residential	\$ 412,689
Commerical	72,587
Industrial	135,814
Multifamily	19,934
Public authorities	30,738
Interdepartmental	2,974
Total metered sales	674,736
Private fire protection	13,380
Public fire protection	297,234
Total charges for services	985,350
Other operating revenues	
Forfeited discounts	784
Other	22,164
Total other operating revenues	22,948
Total operating revenues	1,008,298
Operating Expenses	
Operation and maintenance	
Source of supply - operation labor	51,821
Pumping	
Fuel or purchased power for pumping	33,415
Maintenance	3,487
Total pumping	36,902
Transmission and distribution	
Operation, supervision, and engineering	23,672
Miscellaneous	22,289
Maintenance	
Mains	13,245
Services	13,575
Meters	2,707
Reverse and Standpipe	8,400
Hydrants	3,312
Total transmission and distribution	87,200
Customer accounts	
Meter reading	2,403
Accounting and collecting	12,483
Total customer accounts	14,886
Administrative and general	
Salaries	23,491
Office supplies	9,208
Outside services employed	17,425
Property insurance	8,955
Employee pension and benefits	80,197
Regulatory commission	2,000
Miscellaneous	60,461
Maintenance of general plant	7,562
Total administrative and general	209,299
Total operating and maintenance	400,108
Depreciation	297,423
Total operating expenses	697,531
Operating income	\$ 310,767

Lodi Wastewater Utility

Wastewater Utility Operating Revenues and Expenses

For the Year Ended December 31, 2023

Operating Revenues	
Charges for services	
Residential	\$ 712,760
Commercial	114,150
Industrial	20,231
Public authorities	41,907
Multifamily	33,991
Other	20,227
Total charges for services	<u>943,266</u>
Other operating revenues	
Forfeited discounts	1,201
Other	3,528
Total other operating revenues	<u>4,729</u>
Total operating revenues	<u>947,995</u>
Operating Expenses	
Operation	
Supervision and labor	251,195
Power and fuel for pumping	45,360
Supplies	13,013
Phosphorous removal chemicals	23,175
Other chemicals	11,622
Transportation	19,330
Rents	12,000
Total operation	<u>375,695</u>
Maintenance	
Collection system	3,452
Treatment and disposal plant equipment	20,026
Collection and Pumping Equipment	835
General plant structures and equipment	17,495
Total maintenance	<u>41,808</u>
Customer accounts	
Meter reading	35,178
Accounting and collecting	23,732
Total customer accounts	<u>58,910</u>
Administrative and general	
Office supplies	12,491
Outside services employed	16,332
Property insurance	29,160
Employee pension and benefits	24,474
Regulatory commission	4,213
Miscellaneous	6,662
Total administrative and general	<u>93,332</u>
Total operating and maintenance	<u>569,745</u>
Depreciation	229,857
Total operating expenses	<u>799,602</u>
Operating income	<u>\$ 148,393</u>

Lodi Electric, Water and Wastewater Utilities

Schedule of Rates of Return For the Year Ended December 31, 2023

	Electric Utility	Water Utility	Wastewater Utility
UTILITY PLANT			
Beginning	\$ 6,832,901	\$ 8,132,670	\$ 9,219,640
Ending	7,001,658	8,382,304	9,326,454
Average	6,917,280	8,257,487	9,273,047
ACCUMULATED DEPRECIATION			
Beginning	(3,452,022)	(2,713,678)	(5,194,025)
Ending	(3,694,816)	(2,957,919)	(5,401,173)
Average	(3,573,419)	(2,835,799)	(5,297,599)
MATERIALS AND SUPPLIES INVENTORY			
Beginning	103,235	40,604	-
Ending	144,288	52,160	-
Average	123,762	46,382	-
AMORTIZATION OF REGULATORY LIABILITY			
Beginning	(17,663)	(4,520)	-
Ending	-	-	-
Average	(8,832)	(2,260)	-
AVERAGE NET RATE BASE	\$ 3,458,791	\$ 5,465,811	\$ 3,975,448
OPERATING INCOME	\$ 308,920	\$ 310,767	\$ 148,393
RATES OF RETURN	8.93%	5.69%	3.73%

The Electric and Water Rate of Return is computed based on the Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States as described in Note 1.

The authorized rate of return for the Electric Utility is 6.0% and the Water Utility is 3.32%.

The Wastewater Rate of Return is based on operating results reflected in the basic financial statements.

Lodi Municipal Utilities

Debt Coverage December 31, 2023

Actual Defined Earnings

Operating revenues	\$	5,496,133
Plus: Investment income		135,165
Less: Operation and maintenance expenses		(4,728,053)
Transfer to General Fund for payment in lieu of taxes		<u>(237,221)</u>
		<u>903,245</u>
Plus: Depreciation expense		822,534

Net revenue per bond covenant \$ 1,725,779

Required net revenues - revenue bonds

Highest outstanding annual principal and interest payments	\$	447,604
Coverage factor		<u>1.25</u>

Required net revenues \$ 559,505