



Manitowoc
Public Utilities

FORWARD TOGETHER



ANNUAL **REPORT**

2020



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OUR MISSION

MPU is committed to be the trusted primary resource for providing customer-focused utility services.

OUR VISION

To be a thriving and innovative regional utility service provider that exceeds customer expectations.



FORWARD TOGETHER

MPU.ORG

LETTER FROM MANAGEMENT

FORWARD TOGETHER

Looking back on 2020, it is hard to find any aspect of our lives that wasn't affected by the pandemic. All industries and segments of our community dealt with challenges and obstacles. Schools implemented hybrid and distance learning. Businesses shifted to working remotely or added flexibility with many needing to evolve their business models to survive. Safe and reliable utility services played a critical role in helping our community adapt to the new normal. While providing these critical utility services for our community, MPU addressed workforce challenges from the pandemic as well.

Author Ryan Holiday wrote, "How you handle even minor adversity might seem like nothing, but, in fact, it reveals everything." This rings true. Just like how our community has revealed how strong they can be in overcoming adversity during these difficult times, the employees of MPU have embraced the challenges of the pandemic and evolved practices to ensure delivery of safe and reliable utility services. It is an amazing thing to witness; our utility employees and our community rising to the challenge.

Last year also brought about a leadership transition for MPU as longtime General Manager Nilaksh Kothari retired and the MPU Commission and employees have welcomed me into the MPU family. Having grown up in Wisconsin, the move to MPU has felt like coming home. I am proud to have joined a talented team of professionals who are so committed to providing essential services for our community.

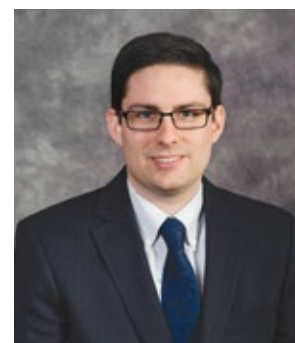
The journey through 2020 has provided all of us with life lessons. We have grown and adapted. And we are stronger because of it. At MPU, we have seen our employees develop new skills through these experiences; obstacles are opportunities. Additionally, the transition in leadership has provided an opportunity to reassess and align the organization toward the future. With the support of MPU's experienced Commission and the talent and dedication of our employees as well as a focus on our customers, we align to move forward together.

Troy Adams, P.E.



TROY ADAMS
General Manager

A handwritten signature in black ink, appearing to read "Troy Adams".



ALEX ALLIE
President

A handwritten signature in black ink, appearing to read "Alex C. Allie".



KEY ACCOMPLISHMENTS IN 2020

BUSINESS SERVICES

The Public Service Commission of Wisconsin (PSCW) approved MPU's request for a 5.6% electric rate decrease which was implemented in April of 2020. This was the 4th consecutive electric rate decrease for our rate payers. We also executed an extension of the five-year contract with the Village of Reedsville to provide operation and maintenance of their water and wastewater systems.

TECHNICAL SERVICES

MPU conducted a physical building assessment to evaluate all MPU facilities and issue a report ranking the condition of building components and services. Evaluation will include at a minimum; Building Envelope, Roofs, Structural, Plumbing, Fire Protection, Mechanical HVAC, Electrical, Code/ADA, Interior Finishes, and an estimation of remaining useful life. This two-year project kicked off in 2019.

MPU completed a major upgrade of the existing phone system to a new MiTel platform, and upgraded all City and MPU equipment with Microsoft Office 2019 to maintain support and take advantage of new features. In addition, a SCADA to AMI interface was implemented to use SCADA to monitor system voltages on all distribution circuits in MPU service territory.

UTILITY OPERATIONS

Waste Water Treatment Facility:

MPU completed the asset management project for the Wastewater Treatment Facility (WWTF) assets which included development of an asset registry, risk assessment, life cycle cost analyses, and an asset management plan. Initiated implementation of plant automation with a goal of creating an unmanned 3rd shift. Replacement of hardware and the outdated SCADA system is currently underway.

Also in 2020, overhauled the Final Effluent pump and conducted "in place" repairs of leaks in 80' diameter 110-ton secondary digester floating cover. Emptied six sludge storage lagoons and land applied 8.4 million gallons of fertilizer on area agricultural fields.

Electric Distribution Operations:

For the fifth consecutive year, MPU maintained electric distribution system reliability performance within the top quartile of electric utilities nationally. 2,450 feet of non-

jacketed underground primary cable, installed between 1979 and 1987, was replaced for system reliability. Additionally, animal guarding was installed at the Rapids substation to ensure reliability.

45 poles and 90 High Pressure Sodium (HPS) street lighting fixtures were replaced with 24 poles and 37 LED street lighting fixtures on Waldo Boulevard from North 14th Street to Fleetwood Drive, coinciding with the Wisconsin DOT reconstruction project.

MPU began a two-year project to bury 3,100 feet of overhead primary circuit, street lighting and fiber optic lines on Memorial Drive and the new Bay Shore Drive which will wrap up in 2021. Following a comprehensive system study, a 1,000-foot segment of primary line was built to ensure continued capacity to back up Circuit C135 (located on the southwest side of the City) in the event of substation failure. Also in 2020, the second half of a two-year utility pole condition assessment program was completed with replacement of 105 wood poles that were estimated to have less than two years of remaining life.

Following an engineering feasibility study to ensure cost savings and payback, 384 of 4800 HPS street lighting fixtures were replaced with LED fixtures. The initial focus of this five-year project was the ornamental street lighting fixtures in the downtown area with remaining HPS streetlights to be replaced over the next four years. Finally, fiber optic network was extended to include Broadway Automotive and nine Advanced Metering sites.

Water Operations/Upgrades:

MPU replaced approximately 6,100 feet of 10" watermain, 1930s era along with 45 lead service lines on Waldo Boulevard in conjunction with WisDOT reconstruction. Additional main replacements include: approximately 750 feet of 6" watermain on S. 29th St. from Meadow Ln. to Coolidge Pl.; 550 feet of 6" watermain on S. 13th St. from Washington St. to Franklin St.; 1,700 feet of 12" watermain on Menasha Ave.; and approximately 920 feet of 6" watermain on Maritime Dr., from N. 6th St. to Buffalo St.

MPU completed the America's Water Infrastructure Act (AWIA) Risk and Resiliency assessment for the water facilities, and updated the Emergency Response Plan accordingly. We also continued the optimization of the Lead Corrosion Control

Treatment, including a study by Process Research Solutions and a biofilm analysis by Water Quality Investigations.

Power Plant Operations/Upgrades:

In anticipation of a new steam use process at a local facility which will not return condensed steam to the Power Plant, a new Reverse Osmosis (RO) unit was installed to double the capacity of the existing unit. The RO unit produces demineralized water for the Circulating Fluidized Bed and package steam boilers. Turbine hall windows and siding were replaced to eliminate asbestos, allow natural light in to reduce artificial lighting costs, and improve energy efficiency. The Turbine Generator 5 exciter, which was installed in the 1950s, was modernized with a replacement system. MPU completed the deconstruction of old Boilers 5 & 6 along with associated equipment.



GREEN INITIATIVES

In 2020, MPU completed the design and construction of fuel bunker separation walls. These walls increase the percentage of renewable paper pellets used in Boiler 9 up to approximately 40%. In 2019, MPU conducted fuel testing to confirm successful firing of Boiler 9 with increased paper pellets. Paper burning results in less limestone use and ash generation.

The energy efficiency appliance rebate program started in 2018 to incentivize customers to purchase high-efficiency appliances was continued. The program in 2020 resulted in customer rebates of over \$21,000 and annual energy savings of 61,300 kWhs. To date, the program totals are: \$58,000 with 161,600 kWhs of annual energy savings.

In partnership with Focus on Energy, MPU continued the Residential Appliance Recycling Program in 2020 which provides customers free pickup and recycling services for old refrigerators or freezers. MPU also provided an incentive of \$20 per appliance. Total annual energy savings for customer participation in 2020 was over 53,000 kWhs. Focus on Energy discontinued the program in mid-December 2020.

LEADERSHIP CHANGE

On June 1, 2020, MPU welcomed our new General Manager, Troy Adams, P.E., to the helm of the utility. This followed the retirement of Nilaksh Kothari, who served MPU for nearly 30 years. The MPU Commission took the necessary time to identify the right leader in order to ensure MPU's continued success.

Troy comes to Manitowoc from Elk River, Minnesota, located just northwest of Minneapolis, where he served as General Manager for Elk River Municipal Utilities. Similar to MPU, ERMU is a municipal electric and water utility and a member of a joint-action power agency. Troy has also served on the national and Minnesota association boards for municipal electric utilities. This background has made for a smooth transition to his role at MPU.

After spending over two decades in Minnesota, Troy's journey to Manitowoc brings him to a familiar place. He grew up in Trempealeau, Wisconsin, where his parents still reside. Troy received a Bachelor of Science degree in Mechanical Engineering from UW Milwaukee and is a licensed engineer. With Troy's move from Minnesota, one of the most common questions he gets is about football. We are happy to report that Troy is a diehard and lifelong Green Bay Packers fan and he is currently number 35,646 on their season ticket waiting list.



PLANNED ACTIVITIES FOR 2021

BUSINESS SERVICES

- Install a large meter test stand to test meters greater than 2" to reduce inventory needed for long lead times on meters currently sent out for testing.
- Implement a MultiSpeak interface between the new AMI system, Yukon, and the Customer Information System to allow for real time on demand reads, disconnects and improved billing process flow.
- File a water rate case with the PSCW as required and to ensure financial stability of the water utility. It is anticipated the filing will occur in mid-2021 with rates effective in 2022 following PSCW review.



UTILITY OPERATIONS

Power Plant:

- Demolition of remaining 1915 era structures and removal of all platforms and remaining boiler 5, 6, & 7 supporting steel. Construction of new electrical and maintenance office and workshop facilities.
- Begin multi-year project to seek regulatory approval and install a RICE diesel engine generator and distribution express line to provide emergency power for Boiler 9 in the event of a grid outage.
- Complete a major maintenance inspection and overhaul of Unit 9 Turbine Generator to ensure continued operational reliability.

Electric Distribution:

- Replace 110 deteriorated poles identified in the pole inspection program.
- Replace batteries in the Custer and Dewey Substations, both of which have exceeded their 20-year life expectancy.
- Replace 3,200 feet of underground street lighting cable and 2,200 feet of unjacketed underground primary cable.
- Continue replacement of HPS streetlights with LED equivalents as part of the 5-year LED conversion project.
- Bury 3,100 feet of overhead electric and fiber optic lines, and install ornamental street lighting from 900 Maritime Drive, along Memorial Drive and Johnston Drive.
- Install a 13KV to 4KV stepdown transformer as an alternate supply to the 4KV distribution system.
- Extend Circuit R135 to backup Circuit B for improved reliability.
- Upgrade the SCADA master that is nearing end of life to a new version with increased reporting capabilities.

Water System:

- Water main replacements concurrent with City street reconstruction:
 - » 2,750 feet of 1967-era water main on S. 30th St., from Division to Dewey.
 - » 1,710 feet of 1940-era water main on Custer St., from S. 29th to S 35.
 - » 1,300 feet of 1946-era 20" water main on S. 7th St., from Franklin to Marshall.
 - » 725 feet of 1911-era water main on Quay St., from S. 6th St. to S. 8th St.
- Administer the new 2021 WDNR Lead Service Line Replacement program, which provides funds to help customers replace their lead service lines (LSLs). MPU qualified for \$1,500,000 for the replacement of customer-owned LSLs in 2021.
- Upgrade the ventilation system at the Dewey St. Water Distribution building to improve garage ventilation and occupant safety.
- Replace the original fluoride skid in the Finished Water Pump Station which serves the Submerged Microfiltration plant to improve safety.

WWTF

- Complete the automation project and SCADA system upgrades started in 2020 to enable unmanned operations for third shift.
- Repair and replace sludge recirculation pumps.
- Complete overhaul and replacement of Stack Filter Pump #1.
- Upgrade SCADA, communications and alarms for Lift Stations in the collection system.



Aerial view of the Wastewater Treatment Facility

TECHNICAL SERVICES

- Install small pilot solar facility with a residential energy storage system to gain operation experience for a storage facility and determine how well the facility can be used to offset power supply costs.
- Purchase and install two Hyper Converged systems to replace the current Virtual Desktop Infrastructure.
- Conduct a comprehensive 5-year IT system study to define a roadmap for IT resources needed.
- Purchase an electric vehicle and charging station.
- Implement recommended upgrades to the existing Physical Access and Control System including replacement of existing card readers and addition of readers to perimeter doors. Additional cameras to also be installed improving facility security.
- Develop design alternatives for remodeling and expansion of the Main Office Building on S. 8th St.
- Complete additional projects to utilize AMI data to determine engineering enhancements to the distribution system



American Public Power Association

ELECTRIC RELIABILITY STATISTICS

- The American Public Power Association (APPA) awarded MPU the Diamond designation for their Reliable Public Power (RP3) program. APPA advocates for the 2,000 community-owned electric utilities which serve approximately 49 million customers. Their RP3 program evaluates proficiency in four key disciplines: Reliability, Safety, Workforce Development and System Improvement. The designation is valid for three years; this is the second period in a row MPU has achieved the Diamond rating!
- System Average Interruption Duration Index (SAIDI) is the outage duration of an average customer on the system. It is calculated by dividing the sum total of customer-outage-interruption-minutes experienced in a year by the total number of electrical customers served by the system. MPU SAIDI was 33 minutes in 2020 compared to a 5-year rolling average of 22 minutes.
- Customer Average Interruption Duration Index (CAIDI) is the average outage restoration time. It is calculated by dividing the sum total of customer-outage-interruption-minutes by the total number of customer interruptions experienced in a year. MPU CAIDI was 65 minutes in 2020 compared to a 5-year rolling average of 66 minutes.
- System Average Interruption Frequency Index (SAIFI) is the average outage frequency. It is calculated by dividing the total number of customer-interruptions by the total number of customers served. MPU SAIFI was 0.51 interruptions per customer in 2020 compared to a 5-year rolling average of 0.52 interruptions per customer.

THE PANDEMIC

Like all companies, MPU was faced with the challenges of managing the Coronavirus pandemic early in 2020. Keeping our workforce safe and healthy continues to be critical in ensuring uninterrupted water, electric, steam and wastewater services to our customers and the staffing of our contract operations. A pandemic planning team was created and a well-designed Pandemic Plan implemented across the utility. Gone were the days of large mask-free group meetings; replaced with socially-distanced meetings and the rollout of Zoom.

Several changes were made to our operations to ensure limited risk of community spread. A second control room in the power plant was setup to allow for deep cleaning of each room after shift transitions. The Main Office was closed to the public and customer interactions were shifted to telephone, email and Facebook. Field crews were split to limit the chances of COVID spread. All non-essential travel has been suspended and work at home options implemented where feasible.

PLANNING FOR THE FUTURE

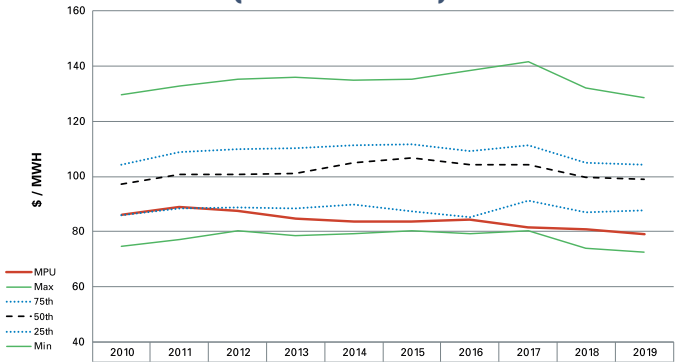
The Public Service Commission of Wisconsin (PSCW) also implemented mandates preventing utilities from disconnecting customers for non-payment for all of 2020. Our Customer Service team has been diligently addressing the growing arrearage balances with calls to customers, providing customers information on assistance available through bill inserts, the website, our Facebook page and working with State debt collection agencies.

MPU continues to operate under our 'Heightened Awareness' stage of our Pandemic Plan. Masks, social distancing, and extraordinary cleaning efforts continue. As we look forward to summer, we hope these efforts and the vaccination rollout will put this pandemic behind us. We missed seeing our customers in person, (and getting our employees together to celebrate our successes and achievements), and we look forward to returning to the new 'normal' operations!

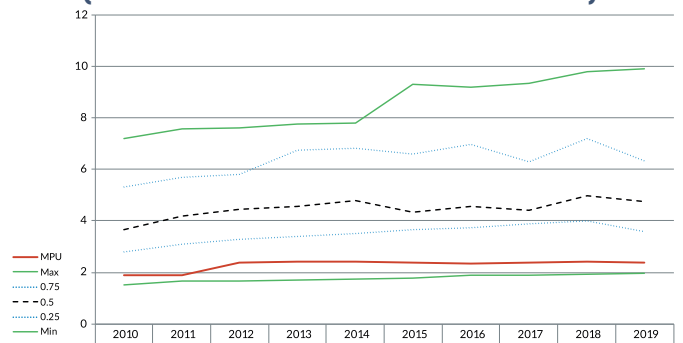


KEEPING COSTS LOW FOR OUR CUSTOMERS

AGGREGATE ELECTRIC RETAIL RATE COMPARISON (AB MUNICIPAL)



METERED SALES TO GENERAL CUSTOMERS (SURFACE WATER AB WATER UTILITIES)



Data taken from the Public Service Commission of Wisconsin website.

FORWARD TOGETHER

As we transition to 2021, MPU will be refreshing its Strategic Plan completed in 2018. The utility industry continues to evolve with rapid technology advancements and regulatory changes at the state and federal levels. The refresh will ensure our mission, vision and strategic areas of focus align with current and future objectives. MPU has partnered with VISION Companies to begin this review in early 2021. The process will begin with a baseline assessment of the organization and explore a SWOT analysis, formulating our picture of the future for MPU, and identification of key objectives and major obstacles. The five-year vision of the utility and top strategic initiatives will be identified, and projects prioritized to build a foundation to achieve this future vision. This planning process is critical to position MPU for continued success in the years to come.

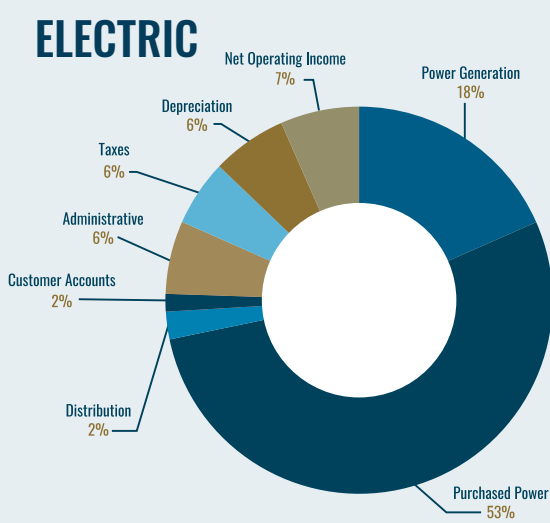
GIVING BACK

The pandemic didn't stop MPU from supporting our community. In early 2020, MPU partnered with the City and local businesses to fund a COVID small business relief fund in 2020. MPU provided over \$100,000 to support local businesses; businesses that were hit hard during the State's 'Safer at Home' order. These grant funds were provided for utility bills and rent/mortgage relief up to a maximum of \$5,000. MPU also halted late payment penalties for customers struggling to pay their utility bills.

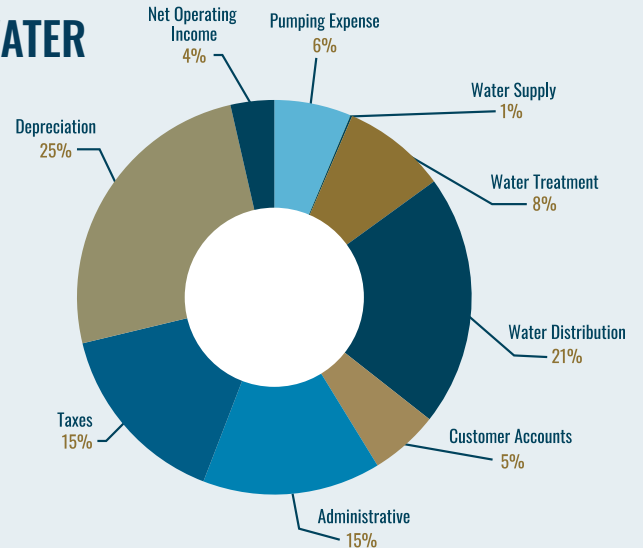
MPU also received approval from the PSCW to reduce electric rates by 5.6% in April of 2020, the 4th consecutive electric rate decrease. On the heels of that decrease, MPU was able to secure an additional 3% reduction in power supply costs which was passed through to customers via the Power Cost Adjustment Clause (PCAC). This reduction was due to reduced energy prices driven by reductions in energy consumption related to the pandemic which was passed through MPU's wholesale power provider. Overall, MPU's electric and water rates remain some of the lowest in the state.

2020 FINANCIAL HIGHLIGHTS

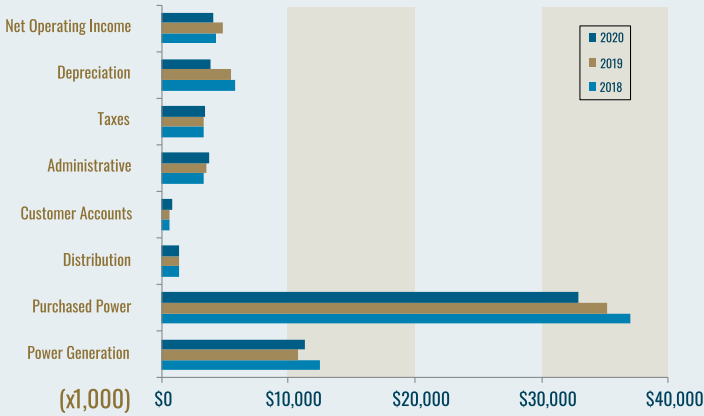
ELECTRIC



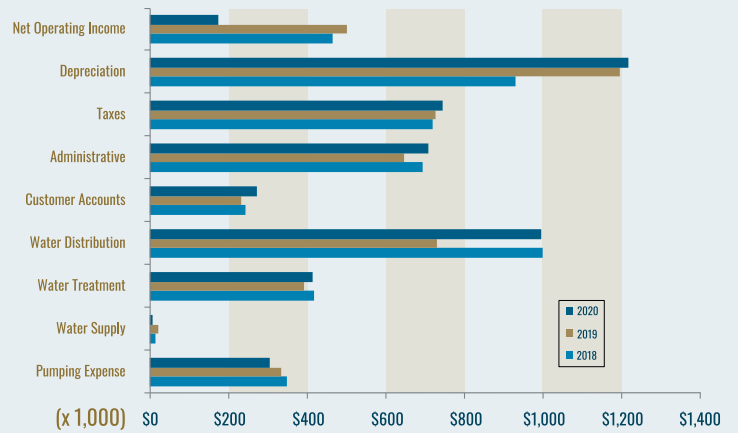
WATER



ELECTRIC UTILITY EXPENSE TRACKING



WATER UTILITY EXPENSE TRACKING



*See definitions on following page.

2020 FINANCIAL HIGHLIGHTS (CONTINUED) »

	2018	2019	2020
Electric Revenues – Retail	\$43,399,364	\$41,008,980	\$37,116,359
Electric Revenues – Wholesale	\$22,570,316	\$21,850,894	\$22,123,972
Number of Electric Customers	18,009	18,092	18,312
Megawatt-Hours Sold – Retail	537,314	518,927	504,540
Megawatt-Hours Sold – Wholesale	148,097	133,206	141,418
Peak Electric System Demand	105	100	106
Miles of Distribution Line	235	234	236
Average Net Investment	\$87,575,036	\$88,410,823	\$86,874,301
Water Revenues – Retail	\$4,671,993	\$4,643,352	\$4,707,021
Water Revenues – Wholesale	\$2,031,317	\$1,999,274	\$2,046,522
Number of Water Customers	13,773	13,776	13,808
Gallons of Water Sold (X 1000) – Retail	1,626,298	1,617,325	1,644,772
Gallons of Water Sold (X 1000) – Wholesale	2,473,087	2,436,517	2,437,213
Miles of Water Main	186	186	186
Number of Hydrants	1,378	1,394	1,400
Average Net Investment	\$45,988,481	\$45,911,126	\$46,276,204

ADMINISTRATIVE »

Salaries and benefits paid to employees in administrative roles, along with administrative expenses such as supplies and insurance.

ANNUAL RETURN ON INVESTMENT »

Operating earnings divided by Average Net Investment.

CUSTOMER ACCOUNTING »

Cost of meter reading, billing, collection and uncollectible accounts.

DEPRECIATION »

The decline in value of plant and equipment due to wear and tear of normal use and obsolescence, measured year by year through the charging of a portion of the asset's original cost against income.

ELECTRIC DISTRIBUTION »

Cost of distributing electricity to customers including routine and emergency maintenance of poles, wires, underground facilities, street lighting, substations and metering.

NET OPERATING INCOME »

These are the dollars available after all expenses are paid. This amount is used to finance system improvements and expansion projects.

POWER GENERATION »

Cost of energy generated at MPU power plants. Includes the cost of fuel, maintenance and operation of the facility.

PUMPING »

Cost of energy to operate pumps to deliver water to the distribution system and maintenance of pumping equipment.

PURCHASED POWER »

Energy purchased from other utilities.

TAXES »

MPU is exempt from state and federal income tax, but other taxes are incurred. The majority of tax paid is referred to as "Payment in Lieu of Taxes" to city government, which is based on property value. MPU is the largest tax payer to city government.

WATER DISTRIBUTION »

Cost of delivering water to consumers including routine and emergency maintenance of water mains and hydrants, storage tanks and metering.

WATER SUPPLY »

Cost of maintaining water intakes and wells.

WATER TREATMENT »

Cost of treating water delivered to the water distribution system including operation cost of the water treatment plant, such as energy, maintenance, chemicals and laboratory expenses.

YEAR END NET UTILITY PLANT »

The depreciated value of the utility system plus construction work in progress, at year end.



Manitowoc
Public Utilities

FORWARD TOGETHER



FINANCIAL **STATEMENTS**

2020 

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF NET POSITION »

December 31, 2020

With summarized comparative information as of December 31, 2019

	2020	2019
ASSETS		
Current Assets		
Cash and Investments	\$ 57,843,296	\$ 53,189,585
Receivables		
Customer Accounts, Net	6,821,239	6,676,815
Other	3,255	8,563
Due from Other Governments	4	-
Notes Receivable - City of Manitowoc	24,324	23,730
Prepaid Supplies	2,979,068	3,416,624
Prepaid Items	1,761,314	1,639,774
Total Current Assets	69,432,500	64,955,091
Other Assets		
Notes Receivable	1,262,123	1,099,547
Notes Receivable - City of Manitowoc	925,094	74,810
Investment in ATC	13,914,429	13,331,751
Rate Stabilization Deposit	4,000,000	4,000,000
Nonutility Property	1,124,998	1,125,704
Net Pension Asset	1,339,006	-
Total Other Assets	22,565,650	19,631,812
Capital Assets		
Nondepreciable		
Electric	3,438,102	7,349,727
Water	527,160	322,166
Steam	54,068	54,068
Broadband	-	187,645
Total Capital Assets, Nondepreciable	4,019,330	7,913,606
Depreciable		
Electric	180,849,360	176,066,364
Water	76,009,843	74,072,919
Steam	4,703,524	4,695,735
Broadband	1,656,986	1,432,019
Total Capital Assets, Depreciable	263,219,713	256,267,037
Less: Accumulated Depreciation	(133,833,217)	(129,574,128)
Capital Assets, Depreciable, Net	(129,386,496)	126,692,909
Total Capital Assets	133,405,826	134,606,515
Total Assets	225,403,976	219,193,418
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	3,114,908	4,015,036
Other Postemployment Related Amounts	247,779	45,645
Asset Retirement Obligations	13,866,666	-
Total deferred outflows of resources	17,229,353	4,060,681

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF NET POSITION »

December 31, 2020

With summarized comparative information as of December 31, 2019

	2020	2019
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 4,441,676	\$ 4,372,674
Accrued and Other Current Liabilities	4,394,709	4,143,375
Other Liabilities	1,000,000	559,523
Compensated Absences	485,122	440,477
Due to Other Governments	904,695	858,812
Customer Deposits	663,214	648,106
Current Portion of Long-Term Debt	-	80,000
Total Current Liabilities	<u>11,889,416</u>	<u>11,102,967</u>
Long-Term Obligations, Less Current Portion		
Compensated Absences	1,479,208	2,149,505
Net Pension Liability	-	1,472,146
Asset Retirement Obligations	26,000,000	-
Other Postemployment Benefits	635,063	368,764
Total Long-Term Liabilities	<u>28,114,271</u>	<u>3,990,415</u>
Total Liabilities	<u>40,003,687</u>	<u>15,093,382</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	4,010,320	2,028,026
Other Postemployment Related Amounts	68,553	72,104
Total Deferred Inflows of Resources	<u>4,078,873</u>	<u>2,100,130</u>
NET POSITION		
Net Investment in Capital Assets	132,962,240	134,526,515
Restricted		
Pension Benefits	1,339,006	-
Unrestricted	64,249,523	71,534,072
Total Net Position	<u>\$ 198,550,769</u>	<u>\$ 206,060,587</u>

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION »

Year ended December 31, 2020

With summarized comparative information for the year ended December 31, 2019

	2020	2019
OPERATING REVENUES		
Charges for Services		
Electric	\$ 59,975,358	\$ 63,557,118
Water	6,877,342	6,771,915
Steam	1,784,771	1,916,078
Broadband	274,273	268,038
Total Operating Revenues	<u>68,911,744</u>	<u>72,513,149</u>
OPERATING EXPENSES		
Water Supply and Distribution	2,988,970	2,442,932
Electric and Steam Supply and Distribution	48,434,209	47,363,056
Administrative and General	5,845,789	6,076,388
Depreciation	6,212,444	7,959,941
Amortization of Asset Retirement Obligation	866,667	-
Taxes	536,069	507,211
Total Operating Expenses	<u>64,884,148</u>	<u>64,349,528</u>
OPERATING INCOME	<u>4,027,596</u>	<u>8,163,621</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	2,979,687	3,045,442
Merchandising and Jobbing	181,619	111,048
Gain on Disposal of Capital Assets	-	11,150
Interest and Fiscal Charges	(7,855)	(178,031)
Amortization	-	81,840
Gain on Debt Refunding	-	1,821,315
Other Nonoperating Revenues (Expenses)	(706)	(706)
Total Nonoperating Revenues (Expenses)	<u>3,152,745</u>	<u>4,892,058</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>7,180,341</u>	<u>13,055,679</u>
Capital Contributions	526,262	500,613
Transfers Out	(3,949,754)	(3,896,653)
CHANGE IN NET POSITION	<u>3,756,849</u>	<u>9,659,639</u>
Net Position - January 1, as Originally Stated	206,060,587	196,400,948
Cumulative Effect of Change in Accounting Principle	(11,266,667)	-
Net Position - January 1	<u>194,793,920</u>	<u>196,400,948</u>
NET POSITION - DECEMBER 31	<u>\$ 198,550,769</u>	<u>\$ 206,060,587</u>

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF CASH FLOWS »

Year ended December 31, 2020

With summarized comparative information for the year ended December 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 69,015,091	\$ 72,841,736
Cash Paid for Employee Wages and Benefits	(4,606,981)	(4,273,535)
Cash Paid to Suppliers	(52,378,321)	(51,531,128)
Net Cash Provided by Operating Activities	<u>12,029,789</u>	<u>17,037,073</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Economic Development Loan Payments Received	(162,576)	56,421
Received on Notes to City of Manitowoc	(850,878)	426,785
Transfer to City of Manitowoc	(3,922,833)	(3,870,545)
Net Cash Used by Noncapital Financing Activities	<u>(4,936,287)</u>	<u>(3,387,339)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(4,491,935)	(8,731,633)
Capital Contributions	526,262	500,613
Sale of Capital Assets	15,430	81,598
Cost of Removal of Capital Assets	(798,702)	(381,628)
Interfund Advance Received (Paid)	-	(426,783)
Principal Paid on Long-Term Debt	(80,000)	(3,846,000)
Payment to Bond Escrow Agent	-	(4,675,669)
Payment of Fees Related to Escrow	-	(18,900)
Interest Paid on Long-Term Debt	(7,855)	(268,719)
Net Cash Used by Capital and Related Financing Activities	<u>(4,836,800)</u>	<u>(17,767,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	2,979,687	3,055,969
Cash Paid to ATC LLC	(582,678)	(883,340)
Purchase of Investments	(31,098,435)	(23,060,212)
Proceeds from Maturity of Investments	22,450,796	20,173,602
Net Cash Provided by Investing Activities	<u>(6,250,648)</u>	<u>(713,981)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(3,993,946)</u>	<u>(4,831,368)</u>
Cash and Cash Equivalents - January 1	<u>21,906,306</u>	<u>26,737,674</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 17,912,360</u>	<u>\$ 21,906,306</u>

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF CASH FLOWS »

Year ended December 31, 2020

With summarized comparative amounts for the year ended December 31, 2019

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 4,027,596	\$ 8,163,621
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	6,212,444	7,959,941
Depreciation Adjustments and Amounts Charged to Operating Accounts	264,158	159,916
Amortization of Asset Retirement Obligation	866,667	-
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources		
Change in WRS Asset / Liability	(2,811,152)	2,690,609
Change in WRS Deferred Outflows	900,128	(1,730,378)
Change in WRS Deferred Inflows	1,982,294	(370,782)
Change in Other Postemployment Benefits Liability	108,271	3,894
Change in Other Postemployment Benefits Deferred Outflows	(72,412)	(238,471)
Change in Other Postemployment Benefits Deferred Inflows	(730)	(6,218)
Change in Life Insurance OPEB Liability	158,028	299,052
Change in Life Insurance OPEB Deferred Outflows	(129,722)	35,593
Change in Life Insurance OPEB Deferred Inflows	(2,821)	(65,886)
Merchandising and Jobbing	181,619	111,048
Miscellaneous	(706)	(706)
Change in Operating Assets and Liabilities		
Customer Accounts, Net	(144,424)	167,037
Accrued Interest Receivable	5,308	(5,521)
Due from Other Governments	(4)	(98,877)
Prepaid Supplies and Items	316,016	(262,316)
Accounts Payable	69,002	89,639
Accrued and Other Current Liabilities	224,413	94,479
Other Liabilities	299,947	(450,477)
Due to Other Governments	45,883	(22,427)
Customer Deposits	15,108	73,735
Compensated Absences	(485,122)	440,568
Net Cash Provided by Operating Activities	<u>\$ 12,029,789</u>	<u>\$ 17,037,073</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 57,843,296	\$ 53,189,585
Less: Long-term Investments	(39,930,936)	(31,283,279)
Total Cash and Cash Equivalents	<u>\$ 17,912,360</u>	<u>\$ 21,906,306</u>
NONCASH OPERATING ACTIVITIES		
Asset Retirement Obligation	\$ 26,000,000	-
Deferred Outflows of Resources - Asset Retirement Obligation	\$ 13,866,666	-

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

NOTES TO FINANCIAL STATEMENTS »

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES »

The financial statements of the Manitowoc Public Utilities, City of Manitowoc, Wisconsin (MPU), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by MPU are described below:

A. REPORTING ENTITY

Manitowoc Public Utilities is a business-type activity of the City of Manitowoc, Wisconsin. In accordance with GAAP, the financial statements are required to include MPU and any separate component units that have a significant operational or financial relationship with MPU. MPU has not identified any component units that are required to be included in the financial statements in accordance with standards.

B. PROPRIETARY FUND FINANCIAL STATEMENTS

Manitowoc Public Utilities is reported as business-type activities of the City of Manitowoc, Wisconsin. The accounts of MPU are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, and revenues and expenses. MPU utilizes the following funds to account report its operations:

- ▶ **Enterprise funds.** 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. Enterprise funds are used to account for the operations of the electric, water, steam and broadband utilities.
- ▶ **Internal service fund.** An Internal service fund is used to account for the financing of goods and services provided by one department to other departments of MPU, or to other governmental units, on a cost-reimbursement basis. An internal service fund is used to account for the operation of MPU's infrastructure technology department.

MPU issues a consolidated financial statements with all funds presented as one operation. Interfund activity between MPU funds has been eliminated.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

MPU's 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 when a liability is incurred, regardless of the timing of related cash flows. Unpaid customer accounts receivable are recorded at year end.

MPU 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 MPU's principal ongoing operations. The principal operating revenues of MPU are charges to customers for services. Operating expenses include the costs of services, 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 Utility's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION**1. Cash and Investments**

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an assessment of the current status of individual accounts. An allowance for uncollectible accounts of \$200,000 has been provided for electric and water utility receivables.

3. Prepaid Supplies and Items

Prepaid supplies consist of expendable supplies held for consumption. The cost is recorded as an expense at the time individual items are consumed rather than purchased. Prepaid items represent payments made to vendors that will benefit periods beyond the end of the current fiscal year, are recorded as prepaid items, and are expensed in the periods benefitted.

4. Investment in American Transmission Company (ATC)

MPU is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. On June 28, 2001, MPU sold its transmission assets to ATC at a book value of \$2,351,000. In return, MPU received cash for half of the value and an ownership interest in ATC for the other half. MPU owns less than 1% of ATC.

The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, MPU has the option to contribute additional funds to maintain its proportionate share of ownership. The investment in American Transmission Company LLC is recorded at cost since it is privately held and has no readily available fair market value. MPU's ownership share is valued at \$13,914,429 as of December 31, 2020, and is reported on the Statement of Net Position as other assets.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. The Public Service Commission of Wisconsin sets estimated lives and straight-line depreciation rates. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

6. Wastewater Collections

MPU performs the billing and collection functions for the City of Manitowoc Wastewater Treatment Plant (the Wastewater Treatment Plant). MPU charges the Wastewater Treatment Plant for these services at cost plus a return on investment. The cost reimbursement is credited directly to the related expense accounts.

7. Compensated Absences

MPU's policy permits employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies. MPU records unused sick leave and vacation benefits as an expense and a liability as the benefits accrue to employees.

8. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

9. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt. Debt payable are reported net of the applicable bond premium or discount. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION

10. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Postemployment Benefits Other Than Pensions (OPEB)

Single-employer Defined Postemployment Benefit Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPU's Other Postemployment Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Local Retiree Life Insurance Fund

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 the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and 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 employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Fund Equity

Equity is classified as net position and displayed in three components:

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. CERTAIN ASSET RETIREMENT OBLIGATIONS

The Utility implemented GASB Statement No. 83, Certain Asset Retirement Obligation (ARO) during the fiscal year ended December 31, 2020. An ARO is a legally enforceable liability associated with the retirement of a tangible asset. A legal obligation exists for the Utility to perform future retirement activities for the decommissioning of the power plant complex and coal storage site, as the sites contain hazardous and other materials that require special handling, based upon Federal Regulations.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

G. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the financial statements to provide an understanding of changes in MPU's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

H. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, or changes in net position.

NOTE 2: DETAILED NOTES ON ALL FUNDS »

A. CASH AND INVESTMENTS

MPU maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund’s portion of these accounts is displayed on the financial statements as “Cash and investments”.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of MPU’s cash and investments totaled \$57,843,296 on December 31, 2020 as summarized below:

Petty Cash and Cash on Hand	\$	750
Deposits with Financial Institutions		17,708,638
Investments		<u>40,133,908</u>
Total	\$	<u>57,843,296</u>
Reconciliation to financial statements:		
Statements of Net Position		
Cash and Investments	\$	<u>57,843,296</u>

Fair Value Measurements

MPU categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. MPU has the following fair value measurements as of December 31, 2020:

<u>INVESTMENTS</u>	<u>FAIR VALUE MEASUREMENTS USING:</u>		
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
U.S. Treasury Securities	\$ -	\$ 5,562,701	\$ -
Corporate Bonds and Notes	-	24,032,951	-
State and Municipal Bonds	-	259,888	-
Money Market Mutual Funds	202,972	-	-
Federal National Mortgage	-	4,885,865	-
Federal Home Loan Bank	-	1,850,288	-
Federal Home Loan Mortgage	-	500,127	-
Federal Farm Credit Bureau	-	1,000,446	-
U.S. Agencies	-	1,838,670	-
Total	\$ 202,972	<u>39,930,936</u>	<u>-</u>

Deposits and investments of MPU are subject to various risks. Presented below is a discussion of MPU’s deposits and investments and the related risks.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Custodial Credit Risk

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020, \$17,572,598 of MPU's deposits with financial institutions were in excess of federal and state depository insurance limits and collateralized with securities held by the pledging financial institution or its trust department or agent but not in MPU's name.

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	AMOUNT	EXEMPT FROM DISCLOSURE	AAA	AA	A	NOT RATED
U.S. Treasury Notes	\$ 5,562,701	\$ 5,562,701	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	1,838,670	1,838,670	-	-	-	-
Corporate Bonds & Notes	24,032,951	-	3,845,863	13,007,053	5,348,580	1,831,455
State and Municipal Bonds and Notes	259,888	-	-	259,888	-	-
Money Market Mutual Funds	202,972	-	-	202,972	-	-
Federal Agency Securities	8,236,726	-	8,236,726	-	-	-
Totals	<u>40,133,908</u>	<u>7,401,371</u>	<u>12,082,589</u>	<u>13,469,913</u>	<u>5,348,580</u>	<u>1,831,455</u>

Concentration of Credit Risk

The investment policy of MPU limits the amount that can be invested in any one issuer. Corporate securities (nonequity) may not exceed 60% of the securities portfolio with an additional limitation of 7% for any individual corporation. Commercial paper may not exceed 25% of the securities portfolio with an additional limitation of 7% for any individual corporation. Mortgage backed securities may not exceed 25% of the portfolio and pools of Small Business Administration loans may not exceed 10%. Investments in any one issuer that represent 5% or more of MPU's total investments are as follows:

ISSUER	INVESTMENT TYPE	REPORTED AMOUNT	PERCENT OF TOTAL INVESTMENTS
Federal National Mortgage	Federal Agency Securities	\$ 4,885,865	12%
Microsoft Corp	Corporate Bonds and Notes	2,437,890	6%

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. One of the ways that MPU manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Information about the sensitivity of the fair values of MPU's investments to market interest rate fluctuations is provided by the following table that shows the distribution of MPU's investments by maturity:

INVESTMENT TYPE	REMAINING MATURITY (IN MONTHS)				
	AMOUNT	12 MONTHS OR LESS	13 TO 24 MONTHS	25 TO 60 MONTHS	MORE THAN 60 MONTHS
U.S. Treasury Securities	\$ 5,562,701	\$ 1,751,405	\$ 766,327	\$ 1,470,781	\$ 1,574,188
U.S. Agencies	1,838,670	753,198	256,715	828,757	-
Corporate Bonds and Notes	24,032,951	4,051,651	5,213,984	10,495,225	4,272,091
State and Municipal Bonds and Notes	259,888	-	-	259,888	-
Money Market Mutual Funds	202,972	202,972	-	-	-
Federal National Mortgage	1,850,288	350,550	-	1,499,738	-
Federal Home Loan Bank	4,885,865	1,013,706	-	3,872,159	-
Federal Home Loan Mortgage	1,000,446	-	-	1,000,446	-
Federal Farm Credit Bureau	500,127	-	-	500,127	-
Total	\$ 40,133,908	\$ 8,123,482	\$ 6,237,026	\$ 19,927,121	\$ 5,846,279

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

MPU's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

HIGHLY SENSITIVE INVESTMENTS	FAIR VALUE AT YEAR END
Mortgage Backed Securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 8,236,726

B. INTERFUND TRANSFER

Interfund transfers for the year ended December 31, 2020 in the amount of \$3,917,964 were made for the purpose of transferring the tax equivalent payment from MPU to the general fund of the City of Manitowoc, Wisconsin.

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Nondepreciable:				
Land	\$ 2,227,096	\$ -	\$ -	\$ 2,227,096
Construction in Progress	5,686,510	1,387,205	5,281,481	1,792,234
Total Capital Assets, Nondepreciable	<u>7,913,606</u>	<u>1,387,205</u>	<u>5,281,481</u>	<u>4,019,330</u>
Capital Assets, Depreciable:				
Buildings	22,080,455	521,592	-	22,602,047
Improvements Other Than Buildings	96,853,113	6,860,536	1,340,151	102,373,498
Infrastructure	137,333,469	1,004,161	93,462	138,244,168
Subtotal	<u>256,267,037</u>	<u>8,386,289</u>	<u>1,433,613</u>	<u>263,219,713</u>
Less Accumulated Depreciation for:				
Buildings	10,031,760	348,272	-	10,380,032
Improvements Other Than Buildings	43,153,592	3,303,940	2,232,661	44,224,871
Infrastructure	76,388,776	2,936,377	96,839	79,228,314
Subtotal	<u>129,574,128</u>	<u>6,588,589</u>	<u>2,329,500</u>	<u>133,833,217</u>
Total Capital Assets, Depreciable, Net	<u>126,692,909</u>	<u>1,797,700</u>	<u>(895,887)</u>	<u>129,386,496</u>
Capital Assets, Net	<u>\$ 134,606,515</u>	<u>\$ 3,184,905</u>	<u>\$ 4,385,594</u>	<u>133,405,826</u>
Less: Capital Related Accounts Payable				<u>443,586</u>
Net Investment in Capital Assets				<u>\$ 132,962,240</u>

Depreciation expense was charged to functions of MPU as follows:

Business-Type Activities:	
Water Utility	\$ 2,106,234
Electric Utility	3,968,289
Steam Utility	75,646
Broadband	<u>62,275</u>
Total Depreciation Expense	6,212,444
Depreciation Charged Operating Accounts	360,714
Salvage Charged to Accumulated Depreciation	<u>15,431</u>
Total Increase in Accumulated Depreciation Above	<u>\$ 6,588,589</u>

D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of MPU for the year ended December 31, 2020:

	<u>BEGINNING BALANCE</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
BUSINESS-TYPE ACTIVITIES					
Land contract	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
Compensated absences	2,589,982	1,479,207	2,104,859	1,964,330	485,122
Business-type activities					
Long-term obligations	<u>\$ 2,669,982</u>	<u>\$ 1,479,207</u>	<u>\$ 2,184,859</u>	<u>\$ 1,964,330</u>	<u>\$ 485,122</u>

Total interest paid during the year on long-term debt totaled \$7,855.

E. RESTATEMENT IMPLEMENTATION OF GASB 83 - CERTAIN ASSET RETIREMENT OBLIGATIONS

MPU adopted GASB Statement No. 83 Certain Asset Retirement Obligations (ARO) which improves accounting and financial reporting by state and local governments to enhance comparability of financial statements among governments by instituting uniform criteria for recognition and measurement of AROs. GASB concluded an ARO meets the criteria for recognition as a liability and that a liability should be recognized when the liability is both incurred and reasonably estimable.

A legal obligation exists for the Utility to perform future retirement activities for the decommissioning of the power plant complex and coal storage site, as the sites contain hazardous and other materials that require special handling, based upon Federal Regulations. The estimated useful life remaining is 11 years. There are no legally required funding or assurance provision or restricted assets associated with the asset retirement obligation. Based on management's best estimate and evaluation of expected retirement activities including comparison of retirement costs for similar plants, MPU estimates the cost of decommissioning these assets, and accordingly recognized a liability of \$26,000,000 and deferred outflows of resources of \$13,866,666 as of December 31, 2020. Current year amortization amounted to \$866,667.

This pronouncement requires restatement of the December 31, 2020 net position of MPU, and the electric and steam utility funds are as follows:

	<u>ELECTRIC UTILITY</u>	<u>STEAM UTILITY</u>	<u>TOTAL</u>
As Previously Stated	\$ 141,282,334	\$ 4,107,020	\$ 206,060,587
Cumulative Effect of Application of GASB 83	(11,154,000)	(112,667)	(11,266,667)
As Restated	<u>\$ 130,128,334</u>	<u>\$ 3,994,353</u>	<u>\$ 194,793,920</u>

F. PENSION PLAN

1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible state of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

1. Plan Description (Continued)

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.

Employees who retire at or after age 65 (54 for protective occupation employees and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled a retirement benefit, based on a formula factor, their final average earnings and creditable service.

Final average earnings is the average of the participant’s three highest earnings 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 either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

2. Postretirement Adjustments

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

<u>YEAR</u>	<u>CORE FUND ADJUSTMENT (%)</u>	<u>VARIABLE FUND ADJUSTMENT (%)</u>
2010	(1.3)%	22%
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

3. 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, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

For the year ended December 31, 2020, the WRS recognized \$460,029 in contributions from MPU.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

3. Contributions (Continued)

Contribution rates for the reporting period are:

EMPLOYEE CATEGORY	EMPLOYEE	EMPLOYER
General (Including Teachers, Executives and Elected Officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At December 31, 2020, MPU reported an asset of \$1,339,006 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. MPU's proportion of the net pension asset was based on MPU's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the MPU's proportion was 0.04152655%, which was an increase of .000147261% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, MPU recognized pension expense of \$635,652.

At December 31, 2020, MPU 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	\$ 2,541,740	\$ 1,271,971
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	2,737,405
Changes in Assumptions	104,344	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	8,795	944
Employer Contributions Subsequent to the Measurement Date	460,029	-
Total	\$ 3,114,908	\$ 4,010,320

\$460,029 reported as deferred outflows related to pension resulting from MPU's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

YEAR ENDED DECEMBER 31,	EXPENSE
2021	\$ (400,226)
2022	(299,089)
2023	47,638
2024	(703,764)
Total	\$ (1,355,441)

5. Actuarial Assumptions

The total pension liability (asset) in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2019 Mortality Table
	1.9%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total Pension Liability (Asset) for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

	<u>CURRENT ASSET ALLOCATION %</u>	<u>LONG-TERM EXPECTED NOMINAL RATE OF RETURN %</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN %</u>
<u>Core Fund Asset Class</u>			
Global Equities	49.0%	8.0%	5.1%
Fixed Income	24.5%	4.9%	2.1%
Inflation Sensitive Assets	15.5%	4.0%	1.2%
Real Estate	9.0%	6.3%	3.5%
Private Equity/Debt	8.0%	10.6%	7.6%
Multi-Asset	4.0%	6.9%	4.0%
Cash	(10.0%)	0.9%	N/A
Total Core Fund	<u>100.0%</u>	7.5%	4.6%
<u>Variable Fund Assets Class</u>			
U.S. Equities	70.0%	7.5%	5.0%
International Equities	<u>30.0%</u>	8.2%	5.9%
Total Variable Fund	<u>100.0%</u>	7.8%	5.0%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%

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

5. Actuary Assumptions (Continued)

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (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, 2019. 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 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 members 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.

Sensitivity of MPU’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.

The following presents MPU’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what MPU’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% DECREASE TO DISCOUNT RATE (6.00%)	CURRENT DISCOUNT RATE (7.00%)	1% INCREASE TO DISCOUNT RATE (8.00%)
MPU’s Proportionate Share of the Net Pension Liability (Asset)	\$ 3,448,180	\$ (1,339,006)	\$ (4,917,979)

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>.

6. Payables to the Pension Plan

At December 31, 2020, MPU reported a payable of \$43,674 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2020.

G. OTHER POSTEMPLOYMENT BENEFITS

MPU reports OPEB related balances at December 31, 2020 as summarized below:

	OPEB LIABILITY	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES	OPEB EXPENSE
Local Retiree Life Insurance Fund (LRLIF)	\$ 396,494	\$ 165,315	\$ 63,065	\$ 25,485
Single-Employer Defined OPEB Plan	238,569	82,464	5,488	16,959
Total	<u>\$ 635,063</u>	<u>\$ 247,779</u>	<u>\$ 68,553</u>	<u>\$ 42,444</u>

1. Single-Employer Defined Postemployment Benefit Plan

Plan Description

The Plan is a single-employer defined benefit postemployment health plan.

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Benefits Provided

MPU provides medical coverage (including prescription drugs) for employees who retired prior to January 1, 2021. Employees retiring after December 31, 2020 are no longer eligible to remain on the MPU medical plan.

Employees Covered by Benefit Terms

As of the January 1, 2020 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	103
Total	<u>108</u>

Contributions

Retired plan members and beneficiaries currently receiving benefits are required to contribute 100% towards the cost of insurance premiums based on the employee group and their retirement date.

Total OPEB Liability

MPU's total OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.00%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.4%-3.5%
Discount rate:	2.74%
Healthcare cost trend rates:	6.30% for 2020 Decreasing to an Ultimate Rate of 3.70% after 62 years

Mortality rates are based on the Wisconsin 2018 Mortality table.

The actuarial assumptions used in the January 1, 2020 valuation were based on the "Wisconsin Retirement System 2015 - 2017 Experience Study".

Discount Rate. The discount rate used to measure the total OPEB liability was 2.74%, which is based on the Bond Buyer GO 20-year Municipal Bond Index as of the week of the measurement date. The discount rate used in the January 1, 2018 actuarial valuation was 4.10%. No assets have been accumulated in an irrevocable trust, so the Bond Buyer GO 20-year Municipal Bond Index has been applied to all periods.

Changes in Total OPEB Liability

	TOTAL OPEB LIABILITY
Balance at January 1, 2020	\$ 130,298
Changes for the Year:	
Service Cost	15,364
Interest on Total OPEB Liability	5,947
Gains or Losses	59,444
Effect of Assumptions Changes or Inputs	28,770
Benefit Payments	<u>(1,254)</u>
Net Changes	108,271
Balance at December 31, 2020	<u>\$ 238,569</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of MPU, as well as what MPU's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current rate:

	<u>1% DECREASE TO DISCOUNT RATE (1.74%)</u>	<u>CURRENT DISCOUNT RATE (2.74%)</u>	<u>1% INCREASE TO DISCOUNT RATE (3.74%)</u>
Total OPEB Liability	\$ 253,164	\$ 238,569	\$ 224,585

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of MPU, as well as what MPU's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% DECREASE TO (5.3% DECREASING TO 2.7%)</u>	<u>HEALTHCARE COST TREND RATES (6.3% DECREASING TO 3.7%)</u>	<u>1% INCREASE TO (7.3% DECREASING TO 4.7%)</u>
Total OPEB Liability	\$ 216,468	\$ 238,569	\$ 264,981

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2020, the MPU recognized OPEB expense of \$16,959. At December 31, 2020, MPU reported deferred outflows of resources related to OPEB from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences Between Expected and Actual Experience	\$ 53,233	\$ -
Changes in Assumptions	27,977	5,488
Employer Contributions Subsequent to the Measurement Date	1,254	-
Total	<u>\$ 82,464</u>	<u>\$ 5,488</u>

\$1,254 reported as deferred outflows of resources related to OPEB resulting from MPU contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020 and reported in the year ended December 31, 2021.

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

<u>YEAR ENDED DECEMBER 31,</u>	<u>EXPENSE</u>
2021	\$ 8,827
2022	8,827
2023	8,827
2024	8,827
2025	8,827
Thereafter	31,587
Total	<u>\$ 75,722</u>

Payable to the OPEB Plan

At December 31, 2020, MPU did not report a payable for the outstanding amount of contribution to the OPEB Plan required for the year ended December 31, 2020.

2. Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

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 employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2020 are:

<u>COVERAGE TYPE</u>	<u>EMPLOYER CONTRIBUTION</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are listed below:

<u>ATTAINED AGE</u>	<u>BASIC</u>	<u>SUPPLEMENTAL</u>
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

2. Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

During the reporting period, the LRLIF recognized \$2,791 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, 2020, MPU reported a liability of \$396,494 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. MPU's proportion of the net OPEB liability was based on the MPU's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the MPU's proportion was 0.11039128%, which was an increase of 0.01797458% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the MPU recognized OPEB expense of \$25,485.

At December 31, 2020, the MPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences Between Expected and Actual Experience	\$ -	\$ 17,762
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	7,479	-
Changes in Assumptions	146,267	43,612
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	11,569	1,690
Total	<u>\$ 165,315</u>	<u>\$ 63,065</u>

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

YEAR ENDED DECEMBER 31,	EXPENSE
2021	\$ 17,501
2022	17,501
2023	16,695
2024	15,864
2025	13,532
Thereafter	21,156
Total	<u>\$ 102,250</u>

Actuarial Assumptions. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1%-5.6%
Mortality:	Wisconsin 2019 Mortality

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

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

<u>ASSET CLASS</u>	<u>INDEX</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN %</u>
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. 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.

Single Discount Rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

2. Local Retiree Life Insurance Fund (Continued)

Sensitivity of the MPU's Proportionate Share of Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the MPU's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.87%, as well as what the MPU's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% DECREASE TO DISCOUNT RATE (1.87%)	CURRENT DISCOUNT RATE (2.87%)	1% INCREASE TO DISCOUNT RATE (3.87%)
MPU's Proportionate Share of the Net OPEB Liability	\$ 547,492	\$ 396,494	\$ 281,614

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payable to the OPEB Plan

At December 31, 2020, the MPU reported a payable of \$-0- for the outstanding amount of contribution to the Plan required for the year ended December 31, 2020.

H. CASH RESERVES

MPU's Commission has established a minimum cash reserves requirement of at least 120 days of cash outflows with a goal of 150 days in order to fund the unforeseen events, uninsured losses, or other claims on MPU's cash. MPU management must inform the Commission if and when the operating reserves of each individual Utility fall below this threshold. This calculation is based off the average of the prior two year's cash operating expenses, and interest expense.

	2019	2018	AVERAGE	150 DAYS
Water	\$ 4,536,382	\$ 5,037,891	\$ 4,787,137	\$ 1,967,316
Electric	53,080,762	56,664,345	54,872,554	22,550,364
Steam	1,324,168	1,279,899	1,302,034	535,082
Information Technology	820,655	775,313	797,984	327,939
Broadband	72,692	80,450	76,571	31,468

As of December 31, 2020 MPU has funded its reserves at 150 days and complied with Commission resolution of at least 120 days.

NOTE 3: OTHER INFORMATION »

A. RISK MANAGEMENT

The MPU is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. MPU completes an annual review of its insurance coverage to ensure adequate coverage. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent years.

B. MAJOR POWER SUPPLY CONTRACT ACTIVITIES

MPU is a summer peaking utility. Starting October 1, 2011, MPU entered into a 10-year contract with Great Lakes Utilities (GLU) where MPU received up to 77MW's of capacity and associated energy. As part of this contract, MPU also sold the capacity and associated energy from its steam generation units to GLU.

C. RELATED PARTY TRANSACTIONS

GLU has contracted with MPU, one of its members, to provide management, secretarial, accounting and technical support services. GLU is charged for these services based upon actual time spent by MPU personnel on GLU operations. GLU is then billed for these services based upon contracted hourly rates. For the year ended December 31, 2020, technical and administrative services provided to GLU totaled \$384,592, with a current receivable from GLU of \$30,482 for services rendered.

In addition, for the year ended December 31, 2020 GLU has purchased power totaling \$22,121,932 from MPU and MPU has a current receivable from GLU of \$2,029,862.

D. CONTINGENCIES

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

E. SELECT UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2021. MPU is currently evaluating the impact this standard will have on the financial statements when adopted.

NOTE 4: RISKS AND UNCERTAINTIES »

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the Utility, COVID-19 may impact parts of its 2021 operation and financial results. Management believes the Utility is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 26, 2021.

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS »

OTHER POST EMPLOYMENT BENEFIT PLAN

Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB Liability:			
Service cost	\$ 15,364	12,677	\$ 11,544
Interest	5,947	4,673	4,633
Gains or Losses	59,444	-	-
Changes of Assumptions	28,770	(6,948)	3,230
Benefit Payments	(1,254)	(6,508)	(8,000)
Net Change in Total OPEB Liability	108,271	3,894	11,407
Total OPEB Liability - Beginning	130,298	126,404	114,997
Total OPEB Liability - Ending	\$ 238,569	\$ 130,298	\$ 126,404
Covered-Employee Payroll	\$ 6,815,249	\$ 6,333,360	\$ 6,333,360
MPU's Total OPEB Liability as a Percentage of Covered Payroll	3.5%	2.06%	2.0%

*The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) »

Wisconsin Retirement System

Last 10 Fiscal Years

FISCAL YEAR ENDING	PROPORTION OF THE NET PENSION LIABILITY (ASSET)	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	COVERED PAYROLL (PLAN YEAR)	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (ASSET)
12/31/14	0.04375710%	\$ (1,074,795)	\$ 6,131,326	17.53%	102.74%
12/31/15	0.04243429%	689,549	5,973,877	11.54%	98.20%
12/31/16	0.04200699%	346,756	6,069,810	5.71%	99.12%
12/31/17	0.04103787%	(1,218,463)	6,354,189	19.18%	102.93%
12/31/18	0.04137931%	1,472,146	6,654,834	22.12%	96.45%
12/31/19	0.04152655%	(1,339,006)	6,830,511	19.60%	102.96%

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

SCHEDULE OF CONTRIBUTIONS »

Wisconsin Retirement System
Last 10 Fiscal Years

FISCAL YEAR ENDING	CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL (FISCAL YEAR)	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL
12/31/15	\$ 418,061	\$ 418,061	\$ -	\$ 5,973,877	7.00%
12/31/16	406,224	406,224	-	6,069,810	6.69%
12/31/17	409,764	409,764	-	6,354,189	6.45%
12/31/18	445,873	445,873	-	6,654,834	6.70%
12/31/19	447,398	447,398	-	6,830,511	6.55%
12/31/20	460,029	460,029	-	6,815,249	6.75%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) »

Local Retiree Life Insurance Fund
Last 10 Fiscal Years

PLAN FISCAL YEAR ENDING	PROPORTION OF THE NET OPEB LIABILITY	PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	COVERED-EMPLOYEE PAYROLL	PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY
12/31/17	0.09089161%	\$ 273,454	\$ 6,354,189	4.30%	44.81%
12/31/18	0.09241670%	238,466	6,654,834	3.58%	48.69%
12/31/19	0.11039128%	396,494	6,830,511	5.80%	37.58%

SCHEDULE OF CONTRIBUTIONS »

Local Retiree Life Insurance Fund
Last 10 Fiscal Years

FISCAL YEAR ENDING	CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED-EMPLOYEE PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
12/31/18	\$ 8,701	\$ 8,701	\$ -	\$ 6,654,834	0.13%
12/31/19	2,952	2,952	-	6,830,511	0.04%
12/31/20	2,791	2,791	-	6,815,249	0.04%

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2020

NOTE 1: OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS »

MPU maintains the following two OPEB plans:

Single-Employer Defined Post Employment Benefit Plan

Demographic assumptions have been updated based upon the most recent WRS experience study. The expected claims and medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application. The overall impact of the new assumptions is a decrease in the benefit obligations.

No assets have been accumulated in an irrevocable trust, so the Plan's discount rate applied to all periods is based on a 20-year, tax-exempt general obligation municipal bond index.

Local Retiree Life Insurance Fund (LRLIF)

There were no changes of benefit terms or assumptions for any participating employer in LRLIF.

MPU is required to present the last 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

NOTE 2: WISCONSIN RETIREMENT SYSTEM »

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

MPU is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

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