



MANITOWOC PUBLIC UTILITIES
ANNUAL REPORT



20
21

RESILIENCE



RESILIENCE

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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.

LETTER FROM MANAGEMENT



TROY ADAMS
General Manager

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

For generations, MPU has locally generated power and steam for our community. Currently, MPU owns two fossil fuel fired Circulating Fluidized Bed (CFB) boilers with electric generators located at MPU's power plant on the lakefront. In addition, MPU owns a natural gas fired Combustion Turbine (CT) generator which is located at MPU's Custer Energy Center adjacent to I-43. Although owned by MPU, these units are scheduled to run by the Midcontinent Independent System Operator (MISO), the electric transmission grid coordinator for our region.

As fossil fuel fired units, MPU's generation has a higher run cost compared to other generation on the grid. Historically, however, MISO has required MPU to run these units to provide local voltage support regardless of their operating cost; and when MISO requires MPU's units to run for voltage support, MISO pays MPU our cost to run even when it is higher than the market price. This makes MPU whole. More recently, these units have been dispatched by MISO for voltage support while the local transmission owner, American Transmission Company (ATC), upgrades their service lines serving Manitowoc and surrounding communities. When those upgrades are complete, the local grid will be robust enough to import lower cost energy. Basically, under MPU's current operating and fossil fuel mix scenario, it is unlikely that the MPU CFB units would be called to run in the future. This would negatively impact Manitowoc in a number of ways: loss of local generation for resiliency, loss of make-whole payments from MISO, elimination of local jobs, and loss of Payment in Lieu of Taxes (PILOT) to the City of Manitowoc.



DAVID P. LUCKOW
President

A handwritten signature in black ink, appearing to read "Dave Luckow".

In light of the weather event that took place in Texas during March 2021, electric grid resiliency is a primary focus. Our community, our customers, our businesses, our owners, have invested in MPU for generations. And it is MPU's intent to be there for our community providing life essential utility services whether it be during a weather event or just your average Wednesday. To maintain local electric grid resiliency, we need to maintain local electric generation. To maintain local generation, we need to lower operating costs. The variable to address is the fossil fuel being used...the coal pile.

In 2021, MPU completed strategic planning to address this very obstacle and have implemented the initiative Manitowoc Refuel Renewable Project. This initiative explored the opportunity to refuel our two existing CFB power plants to run exclusively on Wisconsin-recognized 100% renewable biomass densified fuel pellets. These pellets are made from local non-economically-recyclable industrial paper and plastic waste that would otherwise be landfill-bound. This project will not only reduce these units' greenhouse gas emissions from electricity generation by 55% (2005 baseline), it will improve their operating costs positioning them to be economically dispatched by MISO for generation on the grid. This could effectively extend the life of these community-owned assets for generations to come as baseload renewable energy generation and a bridge to future technology.

MPU is committed to having local generation resiliency for the City of Manitowoc while also focusing on a renewable future for the power plant. We are resilient as a community. We are resilient as a community-owned utility.

Troy Adams, P.E.

KEY ACCOMPLISHMENTS IN 2021



BUSINESS SERVICES

MPU worked to finalize an automated interface between the new Automated Metering Infrastructure (AMI) system and the Customer Information System to allow for real-time on-demand readings, disconnections, and improved billing process flow.

TECHNICAL SERVICES

MPU completed a comprehensive five-year IT systems study to define a roadmap for future investments and improvements. Additionally, MPU purchased new hardware to update the current Virtual Desktop infrastructure due to growth and aged equipment. Upgrades to building security were also made, including the replacement of existing card readers and the installation of additional readers on perimeter doors.

In preparation for a Main Office building expansion/remodel at South 8th Street, design alternatives were prepared and reviewed.

A 5kW battery storage system was installed to gain operational experience in navigating this new storage system as well as to capture financial performance data. A purchase order was also submitted for an electric vehicle (EV) and charging station. Because of supply chain issues, the EV is not scheduled to arrive until 2022.

UTILITY OPERATIONS

WASTE WATER TREATMENT FACILITY

Engineering and bidding documents were prepared to implement a facility-wide automation project. Additionally, the bulk work of a Master Plan Study was contracted for and completed, which evaluated the facility, equipment, systems conditions, regulations (current and future), and statuses for input on necessary and/or recommended upgrades.

About 9,700,000 gallons of bio-solids were applied to land in 2021. As a part of the Mercury Pollutant Minimization Program, 22 lbs. of mercury were collected from Manitowoc residents and industries.

POWER PLANT

A maintenance project consisting of a major overhaul, inspection, and repair of Turbine Generator 9 was completed.

Record generation was achieved from Boiler 9 as MPU provided significant voltage support for American Transmission Company (ATC) as they made upgrades to their transmission system feeding Manitowoc and surrounding communities.



ELECTRIC DISTRIBUTION OPERATIONS

For the sixth consecutive year ending in 2020, MPU was recognized as being in the top quartile of utilities nationally for electric reliability performance. MPU also received a top-level Diamond designation from the American Public Power Association's (APPA) Reliable Public Power Provider (RP₃) program. This is a peer-evaluated system that evaluates an electric utility in four key disciplines: Reliability, Safety, Workforce Development, and System Improvement. MPU is one of approximately 275 utilities to receive the RP₃ designation. There are over 2,000 community-owned utilities in the United States. This designation will be held for three years with an opportunity for re-designation during the next application process.

As a part of ongoing maintenance, a number of materials were replaced including 50 deteriorated poles that were identified in the pole inspection program, 2,300 feet of underground street lighting cable, and 2,200 feet of unjacketed underground primary cable. MPU also continued replacing High Pressure Sodium (HPS) street lights with Light-Emitting Diode (LED) equivalents as part of the 5-year LED conversion project. Ornamental street lighting was installed from 900 Maritime Drive, along Memorial Drive, and Johnston Drive and approximately 3,000 feet of overhead electric and fiber optic lines were buried.

WATER OPERATIONS/UPGRADES

MPU replaced approximately 2,750 feet of 1967-era water main on South 30th Street from Division to Dewey as well as 1,710 feet of 1940-era water main on Customer Street from South 29th to South 35th Street and 725 feet of 1911-era water main on Quay Street from South 6th to South 8th Street. These replacements are in conjunction with City of Manitowoc street reconstructions.



The water department completed the annual unidirectional flushing (UDF) of the Main Pressure Zone, which is comprised of 126 miles of water main, 1,800 water valves, and nearly 1,000 fire hydrants.

As an effort to encourage City of Manitowoc property owners to replace their lead service lines (LSL), MPU distributed nearly \$1 million to those who replaced their LSLs. In total, 333 properties qualified for \$3,000 of Wisconsin Department of Natural Resources (WDNR) funding to replace their LSL.

RELIABILITY STATISTICS

- 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 46 minutes in 2021.
- 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 95 minutes in 2021.
- 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 0.48 interruptions per customer in 2021.



PLANNED ACTIVITIES FOR 2022

BUSINESS SERVICES

MPU will be completing a historic transfer of the City of Manitowoc's Wastewater Treatment Facility (WWTF) to MPU, including all assets and employees. This transfer has been "in the works" for over three years and MPU is excited to welcome the WWTF employees into the MPU family. Along with this transfer, MPU will be developing new sewer rates to segregate funds between the collection system and treatment plant.

Currently, water meters are read via walking routes every other month. MPU will be evaluating the strategic deployment of water meter endpoints for the eventual conversion to an Automated Meter Reading (AMR) system. This would allow the meter reader to obtain water readings on a handheld device through a radio transmitter.

MPU is working on a strategic initiative to better understand our customer segmentation and the expectations of each segment through various survey methods. We are also coordinating with a third-party design company to re-brand and prepare a style guide that will include guidelines for different branding pieces.

MPU will be requesting approval of the Public Service Commission of Wisconsin (PSCW) to adjust water rates in late spring/early summer with rates effective in early 2023. Electric rates will be evaluated later in 2022 with an anticipated adjustment effective later in 2023.

TECHNICAL SERVICES

Due to aging equipment, MPU will be updating the infrastructure that hosts the authentication, application, and file servers along with the infrastructure that hosts the storage environment. The network switches that serve the MPU and City of Manitowoc infrastructure will also be replaced and updated.

Starting in 2021, upgrades to MPU's existing Physical Access and Control System, including a replacement of existing card readers and addition of readers to perimeter doors, will be completed this year. Additional cameras will also be installed improving facility security.

MPU will seek approval to install a small pilot solar facility with a residential energy storage system to gain storage facility experience and determine how well the facility can be used to offset power supply costs. MPU will be completing an additional pilot study of a smart thermostat demand response program, which will help us evaluate program effectiveness and the end-user experience.

An engineering and design will be prepared of an approximate four-to-five megawatt diesel generator at the power plant as well as the installation of an express line from the Custer CT to the plant. The design will include preparation of a Certificate of Authority application filing with the Public Service Commission. MPU will also be developing engineering purchase specifications for a replacement plant tie transformer.



UTILITY OPERATIONS

WASTE WATER TREATMENT FACILITY

The contract prepared in 2021 for a facility-wide automation project will be awarded and the project will begin. Additionally, the Master Plan recommended projects will be prioritized and prepared for facility planning/budgeting and decision-making consideration.

POWER PLANT

While the transmission company, American Transmission Company (ATC), is making upgrades to their system, the MPU power plant is continuing to support ATC by providing voltage control.

MPU will be upgrading operational equipment including: the Turbine 5 emergency lube oil controller, motor protection relays, District Heating control systems, and will be making some building roof replacements to the control room.

ELECTRIC DISTRIBUTION

The electric department will be replacing 100 deteriorated poles identified via the pole inspection program, 3,100 feet of underground street light cable, exit cabling for 5 separate feeders, and batteries in the Custer and Dewey substations. MPU will also be converting another 20% of the High-Pressure Sodium (HPS) street lights to Light Emitting Diode (LED) lights. This will be year three out of a five-year plan.

Estimated load growth from 2017 predicted that a backup circuit would no longer be able to support as a backup so the electric department will be extending one circuit by 400 feet to serve as the backup.

We will also be installing a 13kV to 4kV stepdown transformer as an alternate supply to the 4kV distribution system.

The substation Supervisory Control and Data Acquisition (SCADA) system will be upgraded. This will facilitate streamlined management and additional reporting capabilities for improved plant operations.

WATER SYSTEM

The water department will be replacing 1,900 feet of 1950-era water main on Waldo Blvd. from South 23rd St. to Fleetwood Dr. They will also be replacing the Pressure Reducing Valve on Michigan Ave. and moving it outside of the roadway, and replacing the High Service Pump #1 which includes the pump, motor, and variable frequency drive.

To assist with locating watermain breaks, a new hydraulic drill rig and trailer package will be purchased. MPU will also be upgrading the reservoir roof with a liquid rubber, or sheet membrane, to alleviate concrete cracks and spalling due to ice.

As in the past, MPU will be applying for, and distributing, Wisconsin Department of Natural Resource (WDNR) funding to replace privately-owned lead service lines (LSL). We are aiming for 400 LSL replacements worth approximately \$1.2 million for property owners.



JOB MARKET RESILIENCY EMPLOYER OF CHOICE

Along with many other businesses around the country, MPU recognizes the competition in the job market for skilled labor. MPU has made a commitment to being an employer of choice and taking steps to invest more into our biggest asset—our employees. Through a comprehensive compensation and benefits study, and the introduction of additional family-friendly benefits, MPU is resiliently working to retain our talented employees and attract the technical expertise needed to be positioned for success.

BOILER 8

RENEWABLE FUEL TEST

The year 2021 became a test year as MPU initiated the Manitowoc Refuel Renewable Project that will generate enough renewable energy to serve approximately 80% of our community's energy needs in an economical manner. MPU Boiler 8 underwent a test refueling in June 2021 to run exclusively on Wisconsin-recognized 100% renewable biomass densified fuel pellets. The test was highly successful from both an operational and economic perspective.

This validation of concept has led to exploration of long-term renewable fuel pellet supply and storage facility options. MPU Boiler 9 will undergo the same testing in 2022. This initiative provides many benefits including:

- maintaining local electric grid resiliency
- providing dispatchable renewable baseload energy that enables grid additions of non-dispatchable and intermittent renewable generation (wind and solar)
- diverting 18,000 tons per month of non-recyclable industrial paper and plastic waste from local landfills, eliminating methane emissions from decomposition; saving local jobs
- and maintaining \$2 million in Payment In Lieu of Taxes to the City of Manitowoc.

This initiative positions MPU, as well as the community, for a bright future.

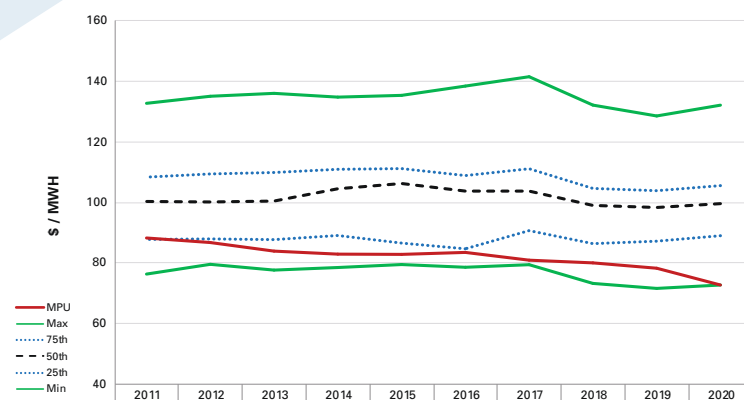


KEEPING COSTS LOW FOR OUR CUSTOMERS

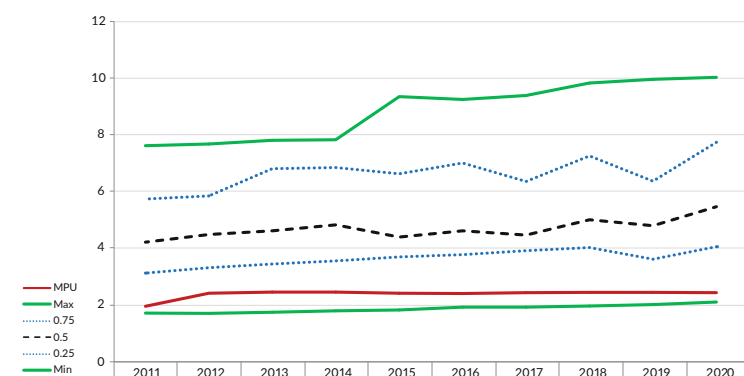
In the middle of a pandemic, MPU worked to control costs and keep rates stable for our customers. Electric rates were lowered by 5.6% in April of 2020 and remained that way throughout all of 2021. Our electric rates have remained the lowest amongst aggregate municipals across the state for the last 10 years. MPU is consistently seeking ways to manage costs to ensure our community is paying competitive prices for their essential services.

Although operating and maintenance costs have drastically changed over the past several years, MPU's last full water rate case was filed back in 2012. Amongst other surface water utilities in the state, MPU's rates are consistently well below the lowest 25th percentile. Going into 2022, MPU will be evaluating the adequacy of water rates and filing for a rate adjustment with the Public Service Commission of Wisconsin with new rates effective in 2023.

AGGREGATE ELECTRICAL RETAIL RATE COMPARISON (AB MUNICIPAL)



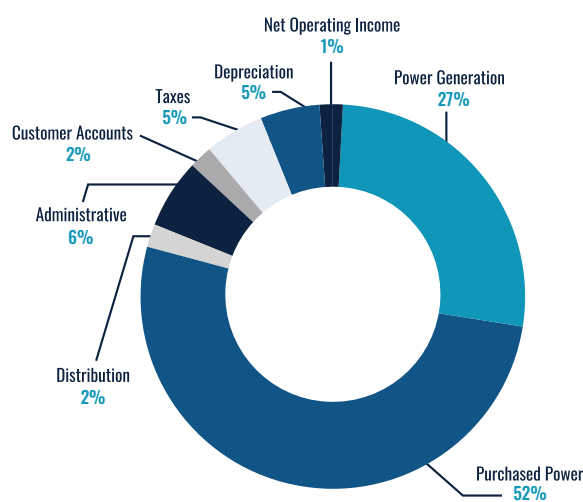
METERED SALES TO GENERAL CUSTOMERS (SURFACE WATER AB WATER UTILITIES)



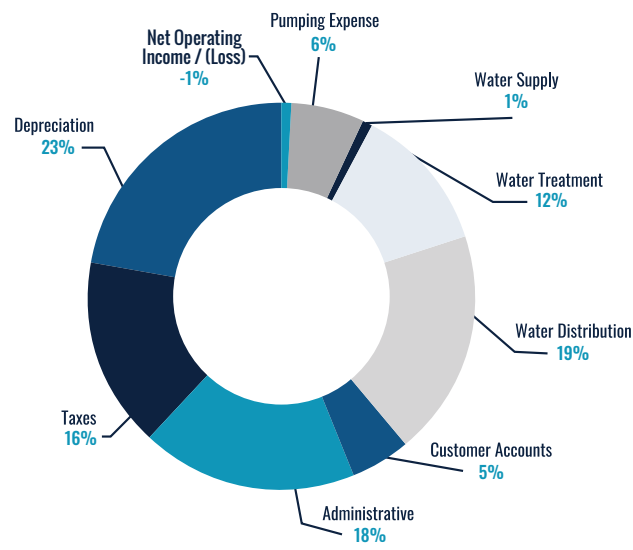


FINANCIAL HIGHLIGHTS 2021

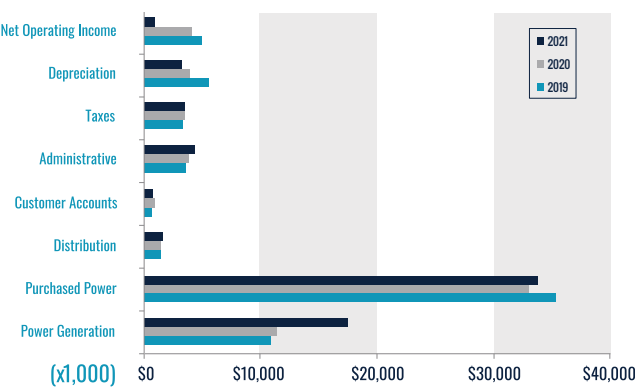
ELECTRIC



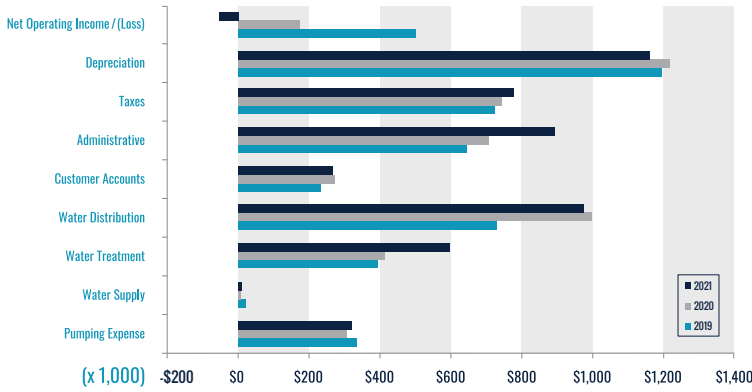
WATER



ELECTRIC UTILITY EXPENSE TRACKING



WATER UTILITY EXPENSE TRACKING



*See definitions on following page.

FINANCIAL HIGHLIGHTS

2021 CONTINUED

	2019	2020	2021
Electric Revenues – Retail	\$41,008,980	\$37,116,359	\$37,197,036
Electric Revenues – Wholesale	\$21,850,894	\$22,123,972	\$25,510,154
Number of Electric Customers	18,092	18,312	18,369
Megawatt-Hours Sold – Retail	518,927	504,540	532,692
Megawatt-Hours Sold – Wholesale	133,206	141,418	241,124
Peak Electric System Demand	100	106	107
Miles of Distribution Line	234	236	237
Average Net Investment	\$88,410,823	\$86,874,301	\$85,979,519
Water Revenues – Retail	\$4,643,352	\$4,707,021	\$4,814,347
Water Revenues – Wholesale	\$1,999,274	\$2,046,522	\$2,057,918
Number of Water Customers	13,776	13,808	13,881
Gallons of Water Sold (X 1000) – Retail	1,617,325	1,644,772	1,714,927
Gallons of Water Sold (X 1000) – Wholesale	2,436,517	2,437,213	2,440,864
Miles of Water Main	186	186	187
Number of Hydrants	1,394	1,400	1,401
Average Net Investment	\$45,911,126	\$46,276,204	\$46,076,713

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

FINANCIAL STATEMENTS

A photograph of several hands of different skin tones stacked together in a supportive gesture, symbolizing resilience and teamwork. The image is partially obscured by a dark blue diagonal shape on the right side of the cover.

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RESILIENCE

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF NET POSITION »

December 31, 2021

With summarized comparative information as of December 31, 2020

	2021	2020
CURRENT ASSETS		
Cash	\$ 15,779,618	\$ 17,709,388
Investments	6,297,603	8,123,482
Receivables:		
Customer Accounts Receivable, Net	8,397,608	6,821,239
Due from Other Governments	3,597	3,259
Notes Receivable - City of Manitowoc	24,932	24,324
Prepaid Supplies	2,978,101	2,979,068
Prepaid Items	1,856,373	1,761,314
Total Current Assets	35,337,832	37,422,074
NON-CURRENT ASSETS		
Other Assets:		
Investments	33,306,458	32,010,426
Notes Receivable	1,345,020	1,262,123
Notes Receivable - City of Manitowoc	921,638	925,094
Investment in ATC	14,255,623	13,914,429
Rate Stabilization Deposit	9,000,000	4,000,000
Nonutility Property	1,124,291	1,124,998
Net Pension Asset	2,713,917	1,339,006
Total Other Assets	62,666,947	54,576,076
Capital Assets:		
Nondepreciable		
Electric	3,109,841	3,438,102
Water	598,943	527,160
Steam	54,067	54,068
Broadband	97,969	-
Total Capital Assets, Nondepreciable	3,860,820	4,019,330
Depreciable		
Electric	182,411,872	180,849,360
Water	77,289,005	76,009,843
Steam	4,702,846	4,703,524
Broadband	1,670,605	1,656,986
Total Capital Assets, Depreciable	266,074,328	263,219,713
Less: Accumulated Depreciation	(137,402,728)	(133,833,217)
Capital Assets, Depreciable, Net	128,671,600	129,386,496
Total Capital Assets	132,532,420	133,405,826
Total Non-Current Assets	195,199,367	187,981,902
Total Assets	230,537,199	225,403,976

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF NET POSITION »

December 31, 2021

With summarized comparative information as of December 31, 2020

	2021	2020
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	\$ 4,504,174	\$ 3,114,908
Other Postemployment Related Amounts - Cost-Sharing Plan	277,462	165,315
Other Postemployment Related Amounts - Single-Employer	80,335	82,464
Asset Retirement Obligations	12,999,999	13,866,666
Total Deferred Outflows of Resources	17,861,970	17,229,353
LIABILITIES		
Current Liabilities		
Accounts Payable	5,401,919	4,441,676
Accrued and Other Current Liabilities	788,458	648,236
Other Liabilities	1,000,000	1,000,000
Compensated Absences	605,887	485,122
Due to Other Governments	4,613,620	4,651,168
Customer Deposits	879,071	663,214
Total Current Liabilities	13,288,955	11,889,416
Non-Current Liabilities		
Compensated Absences	1,315,185	1,479,208
Asset Retirement Obligations	26,000,000	26,000,000
Other Postemployment Benefits - Cost-Sharing Plan	647,792	396,494
Other Postemployment Benefits - Single-Employer	259,144	238,569
Total Non-Current Liabilities	28,222,121	28,114,271
Total Liabilities	41,511,076	40,003,687
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	5,944,079	4,010,320
Other Postemployment Related Amounts - Cost-Sharing Plan	77,015	63,065
Other Postemployment Related Amounts - Single-Employer	4,757	5,488
Total Deferred Inflows of Resources	6,025,851	4,078,873
NET POSITION		
Net Investment in Capital Assets	133,656,711	132,962,240
Restricted		
Pension Benefits	1,274,012	1,339,006
Unrestricted	65,931,519	64,249,523
Total Net Position	\$ 200,862,242	\$ 198,550,769

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION »

Year ended December 31, 2021

With summarized comparative information for the year ended December 31, 2020

	2021	2020
OPERATING REVENUES		
Charges for Services		
Electric	\$ 63,443,427	\$ 59,975,358
Water	6,963,803	6,877,342
Steam	1,777,436	1,784,771
Broadband	276,686	274,273
Total Operating Revenues	72,461,352	68,911,744
OPERATING EXPENSES		
Water Supply and Distribution	2,790,517	2,988,969
Electric Supply and Distribution	51,236,765	46,093,476
Steam Supply and Distribution	1,408,657	1,112,532
Broadband	65,179	54,346
Customer Accounts	1,007,545	1,173,856
Administrative and General	4,896,110	5,872,375
Depreciation	5,675,147	6,212,444
Amortization of Asset Retirement Obligation	866,667	866,667
Taxes	572,309	509,483
Total Operating Expenses	68,518,896	64,884,148
OPERATING INCOME	3,942,456	4,027,596
NONOPERATING REVENUES (EXPENSES)		
Investment Income	897,575	2,979,687
Merchandising, Jobbing and Other Nonoperating Income	93,143	181,619
Interest and Fiscal Charges	(3,975)	(7,855)
Other Nonoperating Revenues (Expenses)	(706)	(706)
Total Nonoperating Revenues (Expenses)	986,037	3,152,745
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	4,928,493	7,180,341
Capital Contributions	1,320,353	526,262
Transfers - Tax Equivalents	(3,937,373)	(3,949,754)
CHANGE IN NET POSITION	2,311,473	3,756,849
TOTAL NET POSITION - BEGINNING	198,550,769	194,793,920
TOTAL NET POSITION - ENDING	\$ 200,862,242	\$ 198,550,769



MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF CASH FLOWS »

Year ended December 31, 2021

With summarized comparative information for the year ended December 31, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$ 71,193,983	\$ 69,015,091
Paid for Employee Wages and Benefits	(4,098,249)	(4,606,981)
Paid to Municipality	(37,886)	-
Paid to Suppliers for Goods and Services	(57,571,061)	(52,378,321)
Net Cash Flows From Operating Activities	9,486,787	12,029,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Economic Development Loans Paid	(82,897)	(162,576)
Received (Paid) on Notes to City of Manitowoc	2,848	(850,878)
Deposit to Others	(5,000,000)	-
Transfer to City of Manitowoc	(3,937,373)	(3,922,833)
Net Cash Flows From Noncapital Financing Activities	(9,017,422)	(4,936,287)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(4,472,079)	(4,491,935)
Capital Contributions	1,320,353	526,262
Salvage Received on Capital Assets	155,829	15,430
Cost of Removal of Capital Assets	(485,491)	(798,702)
Principal Paid on Long-Term Debt	-	(80,000)
Interest Paid on Long-Term Debt	(3,975)	(7,855)
Net Cash Flows From Capital and Related Financing Activities	(3,485,363)	(4,836,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	897,575	2,979,687
Cash Paid to ATC LLC	(341,194)	(582,678)
Purchase of Investments	(9,411,032)	(23,177,943)
Proceeds from Maturity of Investments	8,115,000	22,450,796
Net Cash Flows From Investing Activities	(739,651)	1,669,862
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(3,755,649)	3,926,564
Cash and Investments - Beginning of Year	25,832,870	21,906,306
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 22,077,221</u>	<u>\$ 25,832,870</u>

See accompanying Notes to Financial Statements.

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

STATEMENT OF CASH FLOWS »

Year ended December 31, 2021

With summarized comparative amounts for the year ended December 31, 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 3,942,456	\$ 4,027,596
Noncash Items Included in Operating Income:		
Depreciation	5,675,147	6,212,444
Depreciation Charged to Operating Accounts	707	264,158
Amortization of Asset Retirement Obligation	866,667	866,667
Changes in Deferred Outflows and Inflows of Resources:		
Net Pension Asset	(1,374,911)	(2,811,152)
Deferred Outflows Related to Pension	(1,389,266)	900,128
Deferred Inflows Related to Pension	1,933,759	1,982,294
Net OPEB Liability - Cost-Sharing Plan	251,298	158,028
Deferred Outflows Related to OPEB - Cost-Sharing Plan	(112,147)	(129,722)
Deferred Inflows Related to OPEB - Cost-Sharing Plan	13,950	(2,821)
Net OPEB Liability - Single-Employer	20,575	108,271
Deferred Outflows Related to OPEB - Single-Employer	2,129	(72,412)
Deferred Inflows Related to OPEB - Single-Employer	(731)	(730)
Changes in Assets and Liabilities		
Customer Accounts Receivable, Net	(1,576,369)	(144,424)
Accrued Interest Receivable	-	5,308
Due to Other Governments	(338)	(4)
Prepaid Supplies and Other Items	(94,092)	316,016
Accounts Payable	960,243	69,002
Accrued and Other Current Liabilities	140,222	224,413
Other Liabilities	-	299,947
Due to Other Governments	(37,548)	45,883
Customer Deposits	215,857	15,108
Compensated Absences	(43,258)	(485,122)
Merchandising and Jobbing	93,143	181,619
Miscellaneous	(706)	(706)
Net Cash Flows from Operating Activities	\$ 9,486,787	\$ 12,029,789
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENTS OF NET POSITION		
Cash and Investments	\$ 55,383,679	\$ 57,843,296
Less: Long-Term Investments	(33,306,458)	(32,010,426)
Total Cash and Investments	\$ 22,077,221	\$ 25,832,870
NONCASH OPERATING ACTIVITIES		
Asset Retirement Obligation	\$ -	\$ 26,000,000
Deferred Outflows of Resources - Asset Retirement Obligation	\$ -	\$ 13,866,666
Total Noncash Operating Activities	\$ -	\$ 39,866,666



MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

NOTES TO FINANCIAL STATEMENTS »

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES »

INTRODUCTION

This summary of significant accounting policies of the Manitowoc Public Utilities (MPU) is presented to assist in understanding MPU's financial statements. The financial statements and notes are representations of MPU's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

Manitowoc Public Utilities is a business-type activity component unit 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.

PROPRIETARY FUND FINANCIAL STATEMENTS

Manitowoc Public Utilities is reported as business-type activities of the City of Manitowoc, Wisconsin municipality. 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 outflow/inflows of resources, fund equity, revenues and expenses. MPU utilizes the following funds to 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 utility.
- ▶ **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 consolidated financial statements with all funds presented as one operation. Interfund activity between MPU funds has been eliminated.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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 or related cash flows. Unpaid customer accounts receivable are recorded at year end.

MPU distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 MPU's policy to use restricted resources first, then unrestricted resources, as they are needed.

CASH AND INVESTMENTS

Cash and investments are combined on the statement of net position. 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 purpose 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 the date of acquisition are considered to be cash equivalents.

RECEIVABLES AND PAYABLES

Transactions between MPU and other funds of the Municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between MPU and other funds of the Municipality are reported as payable to/receivable from the Municipality.

MPU has the right under Wisconsin statutes to place delinquent electric bills on the tax roll for collection. An allowance for uncollectible accounts of \$80,916 has been provided for electric and water MPU receivables.

PREPAID AND SUPPLIES 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 benefited.

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 \$14,255,623 as of December 31, 2021, and is reported on the statement of net position as other assets.

NONUTILITY PROPERTY

Nonutility property consists of land and improvements and is valued at cost of acquisition, demolition and site improvements. Properties include both land intended for future use and land designated as a public area. Assets are recorded at acquisition cost.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the financial statements. The Public Service Commission of Wisconsin establishes 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.

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.

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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net position by MPU that is applicable to a future reporting period.

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

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Local Retiree Life Insurance Fund (LRLIF)

The fiduciary net position of the Local Retiree Life Insurance Fund 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 post-employment benefits, OPEB expense, and information about the fiduciary net position of 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, 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.

Single-Employer Defined Postemployment Benefit Plan

The total OPEB liability of MPU's single-employer other post-employment benefit plan has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. The plan has no assets and benefits are on a pay-as-you-go basis.

LONG-TERM OBLIGATIONS

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Debt payables 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.

CAPITAL CONTRIBUTIONS

Cash and capital assets are contributed to MPU from customers, the Municipality or other external parties. The value of property contributed to MPU is reported as capital contributions on the statements of revenues, expenses and changes in net position.

TRANSFERS

Transfers include the payment in lieu of taxes to the Municipality.

BASIS FOR EXISTING RATES

Electric – The Public Service Commission of Wisconsin approved the electric rates on April 1, 2020 and are designed to provide a 4.9% return on rate base.

Water – The Public Service Commission of Wisconsin approved the water rates on June 1, 2015 and are designed to provide a 4.0% return on rate base.

Dark Fiber – The current rates to these customers are approved by MPU commission.

Steam – The current rates to these customers are approved by MPU commission.

CERTAIN ASSET RETIREMENT OBLIGATIONS

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

NET POSITION

Net position is classified into three components defined as follows:

- ▶ **Net investment in capital assets** – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- ▶ **Restricted net position** – Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, 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.

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

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

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 MPU's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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 - CASH AND INVESTMENTS

Wisconsin statutes authorize MPU to make deposits and invest in the accounts of banks, credit unions, savings banks, trust companies and savings and loan associations, which are authorized to transact business in the State of Wisconsin. MPU is allowed to invest in:

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

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of MPU.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

The carrying amount of MPU's cash and investments totaled \$55,383,679 on December 31, 2021 are as follows:

Petty Cash and Cash on Hand	\$	750
Deposits With Financial Institutions		15,778,868
Investments		39,604,061
		<u>55,383,679</u>
Reconciliation to the Financial Statements		
Statement of Net Position:		
Cash	\$	15,779,618
Current Investments		6,297,603
Non-current Investments		33,306,458
	\$	<u>55,383,679</u>

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, MPU will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The state statutes do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2021, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following represents a summary of deposits as of December 31, 2021:

The difference in carrying value of cash deposits and bank deposits results from outstanding checks and deposits.

Fully Insured Deposits	\$	500,000
Collateralized		16,386,234
	\$	<u>16,886,234</u>

CREDIT RISK

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. MPU's investment policy does not further limit its investment choices. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

As of December 31, 2021, MPU's credit quality ratings are as follows:

INVESTMENT TYPE	AMOUNT	EXEMPT FROM DISCLOSURE	AAA	AA	A	NOT RATED
U.S. Treasury Notes	\$ 6,281,164	\$ 6,281,164	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	1,297,775	1,297,775	-	-	-	-
Money Market Mutual Funds	191,363	-	-	191,363	-	-
Corporate Bonds & Notes	22,611,772	-	3,894,280	10,935,437	5,983,476	1,798,579
State and Municipal Bonds and Notes	254,660	-	-	254,660	-	-
Federal Agency Securities	8,967,327	-	8,967,327	-	-	-
Totals	<u>\$ 39,604,061</u>	<u>\$ 7,578,939</u>	<u>\$ 12,861,607</u>	<u>\$ 11,381,460</u>	<u>\$ 5,983,476</u>	<u>\$ 1,798,579</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	\$ 4,006,176	10%
Federal Home Loan Bank	Federal Agency Securities	3,243,988	8%
Microsoft Corporation	Corporate Bonds and Notes	2,300,563	6%
Exxon Mobil Corporation	Corporate Bonds and Notes	2,356,685	6%

INTEREST RATE RISK

Interest rate risk is the risk that changes in 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 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.

As of December 31, 2021, MPU's investments were as follows:

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	\$ 6,281,164	\$ 753,554	\$ 809,750	\$ 3,617,329	\$ 1,100,531
U.S. Agencies	1,297,775	-	515,143	782,632	-
Money Market Mutual Funds	191,363	191,363	-	-	-
Corporate Bonds and Notes	22,611,772	5,352,686	1,627,814	12,603,244	3,028,028
State and Municipal Bonds and Notes	254,660	-	-	254,660	-
Federal National Mortgage	4,006,176	-	-	4,006,176	-
Federal Home Loan Bank	3,243,988	-	-	2,452,136	791,852
Federal Home Loan Mortgage	490,059	-	-	490,059	-
Federal Farm Credit Bureau	1,227,104	-	-	1,227,104	-
Total	<u>\$ 39,604,061</u>	<u>\$ 6,297,603</u>	<u>\$ 2,952,707</u>	<u>\$ 25,433,340</u>	<u>\$ 4,920,411</u>

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 that already indicated in the information provided above):

HIGHLY SENSITIVE INVESTMENTS	FAIR VALUE AT END OF YEAR
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.	\$ 8,967,327

FAIR VALUE

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Adjustments necessary to record investments at fair value are recorded as increases or decreases in investment income.

- ▶ **Level 1** – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources from market transactions involving identical assets.
- ▶ **Level 2** – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- ▶ **Level 3** – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

As of December 31, 2021 MPU had the following investments at fair value:

INVESTMENTS	FAIR VALUE MEASUREMENTS USING:		
	LEVEL 1	LEVEL 2	LEVEL 3
U.S. Treasury Securities	\$ -	\$ 6,281,164	\$ -
U.S. Agencies	-	1,297,775	-
Money Market Mutual Funds	191,363	-	-
Corporate Bonds and Notes	-	22,611,772	-
State and Municipal Bonds	-	254,660	-
Federal National Mortgage	-	4,006,176	-
Federal Home Loan Bank	-	3,243,988	-
Federal Home Loan Mortgage	-	490,059	-
Federal Farm Credit Bureau	-	1,227,104	-
Total	\$ 191,363	\$ 39,412,698	-

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances as of December 31, 2021:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT	PURPOSE
MPU	Municipality	\$ 50,487	Phone System
MPU	Municipality	896,083	Land Purchase
		\$ 946,570	

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Interfund transfers for the year ended December 31, 2021 in the amount of \$3,937,373 were made for the purpose of transferring the tax equivalent payment from MPU to the general fund of the City of Manitowoc, Wisconsin.

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2021 is as follows:

	BALANCE 1/1/21	INCREASES	DECREASES	BALANCE 12/31/21
Capital Assets, not being Depreciated:				
Land	\$ 2,227,094	\$ -	\$ 98	\$ 2,226,996
Construction in Progress	1,792,234	329,225	487,635	1,633,824
Total Capital Assets Not Being Depreciated	4,019,328	329,225	487,733	3,860,820
Capital Assets Being Depreciated:				
Buildings	22,602,047	417,351	145,494	22,873,904
Improvements Other Than Buildings	160,472,509	1,153,276	1,020,987	160,604,798
Infrastructure	80,145,159	3,059,862	609,395	82,595,626
Total Capital Assets Being Depreciated	263,219,715	4,630,489	1,775,876	266,074,328
Less Accumulated Depreciation:				
Buildings	10,374,680	476,851	252,823	10,598,708
Improvements Other Than Buildings	92,568,338	2,871,028	915,679	94,523,687
Infrastructure	30,890,199	2,483,097	1,092,963	32,280,333
Total Accumulated Depreciation	133,833,217	5,830,976	2,261,465	137,402,728
Total Capital Assets, Net of Depreciation	129,386,498	(1,200,487)	(485,589)	128,671,600
Net Capital Assets	\$ 133,405,826	\$ (871,262)	\$ 2,144	\$ 132,532,420

Depreciation expense was charged to functions of MPU as follows:

Business-Type Activities:	
Water Utility	\$ 2,059,931
Electric Utility	3,442,146
Steam Utility	51,156
Broadband	121,914
Total Depreciation Expense	5,675,147
Depreciation Charged to Sewer Utility for Shared Meter Expense	88,723
Salvage Charged to Accumulated Depreciation	67,106
Total Increase in Accumulated Depreciation Above	\$ 5,830,976

NOTE 5 - ASSET RETIREMENT OBLIGATIONS

A legal obligation exists for MPU 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 10 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 \$12,999,999 as of December 31, 2021. Current year amortization amounted to \$866,667.

NOTE 6 - NET POSITION

Net position reported on the statement of net position at December 31, 2021 include the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 132,532,420
Investment in Nonutility Plant - Net	1,124,291
	<hr/>
Net Investment in Capital Assets	133,656,711
Net Position Restricted For Pension	1,274,012
Unrestricted	65,931,519
	<hr/>
Total Net Position	\$ 200,862,242
	<hr/>

NOTE 7 - DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

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

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

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

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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

YEAR	CORE FUND ADJUSTMENT (%)	VARIABLE FUND ADJUSTMENT (%)
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)
2020	1.7	21

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, 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.

During the 2021 reporting period, the WRS recognized \$510,622 in contributions from the employer.

Contribution rates as of December 31, 2021 are:

EMPLOYEE CATEGORY	EMPLOYEE	EMPLOYER
General (including executives and elected officials)	6.75%	6.75%

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

At December 31, 2021, MPU reported an asset of \$2,713,917 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, MPU's proportion was 0.04347040% which was a increase of 0.0194385% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, MPU recognized pension income of \$290,803.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

At December 31, 2021 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 projected and actual experiences	\$ 3,927,872	\$ 846,056
Changes in assumptions	61,557	-
Net differences between projected and actual earnings on pension plan investments	-	5,095,159
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,123	2,864
Employer contributions subsequent to the measurement date	510,622	-
Total	<u>\$ 4,504,174</u>	<u>\$ 5,944,079</u>

At December 31, 2021, the \$510,622 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability (asset) in the years ending December 31, 2022. Other amounts at December 31, 2021 reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

YEAR	NET DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES
2022	\$ (499,586)
2023	(136,615)
2024	(923,188)
2025	(391,138)
	<u>\$ (1,950,527)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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 2018 Mortality Table
Post-retirement Adjustments*	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 post-retirement 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 for December 31, 2020 is based upon a rollforward of the liability calculated from the December 31, 2019 actuarial valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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

ASSET ALLOCATION TARGETS AND EXPECTED RETURNS AS OF DECEMBER 31, 2020

CORE FUND ASSET CLASS	CURRENT ASSET ALLOCATION %	LONG-TERM EXPECTED NOMINAL RATE OF RETURN %	LONG-TERM EXPECTED REAL RATE OF RETURN %
Global Equities	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2	0.8
Inflation Sensitive Assets	16.0	2.0	(0.4)
Real Estate	8.0	5.6	3.1
Private Equity/Debt	11.0	10.2	7.6
Multi-Asset	4.0	5.8	3.3
Total Core Fund	115.0%*	6.6%	4.1%*

VARIABLE FUND ASSETS CLASS			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0%	7.4%	4.9%
Total Variable Fund	100.0%	7.1%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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

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 2.00% (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, 2020. 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 member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of 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)	\$ 2,583,273	\$ (2,713,917)	\$ (6,604,664)

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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-andstudies/financial-reports-and-statements>.

Payables to the Pension Plan. MPU is required to remit the monthly required contribution for both the employee and MPU portions by the last day of the following month. The amount due to WRS is \$50,852 as of December 31, 2021.

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

MPU reports OPEB related balances at December 31, 2021 as summarized below:

	OPEB LIABILITY	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES	OPEB EXPENSE
Local Retiree Life Insurance Fund (LRLIF)	\$ 647,792	\$ 277,462	\$ 77,015	\$ 84,844
Single-Employer Defined OPEB Plan	259,144	80,335	4,757	36,278
Total	<u>\$ 906,936</u>	<u>\$ 357,797</u>	<u>\$ 81,772</u>	<u>\$ 121,122</u>

1. SINGLE-EMPLOYER DEFINED POSTEMPLOYMENT BENEFIT PLAN

Plan Description. The Plan is a single-employer defined benefit postemployment health plan. MPU provides medical coverage (including prescription drugs) for employees who retired prior to January 1, 2021. Employees retiring after December 31, 2021, 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 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, 2021 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% - 3.50%
Discount Rate:	2.12%
Healthcare Cost Trend Rates:	5.80% for 2021 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."

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Discount Rate. The discount rate used to measure the total OPEB liability was 2.12%, 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 the Total OPEB Liability:

	TOTAL OPEB LIABILITY
Balance at 12/31/2020	\$ 238,570
Changes for the Year:	
Service Cost	19,577
Interest	6,861
Changes of Assumptions or Other Input	9,695
Benefit Payments	(15,559)
Net Changes	20,574
Balance at 12/31/2021	\$ 259,144

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 (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

	1% DECREASE (1.12%)	CURRENT DISCOUNT RATE (2.12%)	1% INCREASE (3.12%)
Total OPEB Liability	\$ 275,263	\$ 259,144	\$ 243,645

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:

	1% DECREASE TO (5.3% DECREASING TO 2.7%)	HEALTHCARE COST TREND RATES (6.3% DECREASING TO 3.7%)	1% INCREASE (7.3% DECREASING TO 4.7%)
Total OPEB Liability	\$ 231,078	\$ 259,144	\$ 293,127

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2020, MPU recognized OPEB expense of \$136,133. At December 31, 2021, MPU reported deferred outflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences Between OPEB Plan - Projected and Actual Experience	\$ 47,021	\$ -
Changes in Assumptions	33,314	4,757
Total	\$ 80,335	\$ 4,757

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

YEAR ENDING DECEMBER 31	NET DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES
2022	\$ 9,840
2023	9,840
2024	9,840
2025	9,840
2026	9,840
Thereafter	26,378
Total	\$ 75,578

Payable to the OPEB Plan. At December 31, 2021, MPU did not report a payable for the outstanding amount of contribution to the OPEB Plan required.

2. LOCAL RETIREE LIFE INSURANCE FUND GENERAL INFORMATION ABOUT THE OPEB PLAN

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

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

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

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

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

Contribution rates as of December 31, 2021 are:

COVERAGE TYPE	EMPLOYEE
50% Post-retirement coverage	40% of Member Contribution
25% Post-retirement coverage	20% of Member Contribution

NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2020 are as listed below:

LIFE INSURANCE MEMBER CONTRIBUTION RATES *	
ATTAINED AGE	BASIC/SUPPLEMENTAL
Under 30	\$ 0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

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

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

At December 31, 2021, MPU reported a liability of \$647,792, respectively for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. MPU's proportion of the net OPEB liability was based on MPU's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, MPU's proportion was 0.11776494%, which was an increase of 0.00737366% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, MPU recognized OPEB expense of \$81,844.

At December 31, 2021, 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 Projected and Actual Experiences	\$ -	\$ 30,910
Changes in Assumptions	252,000	44,447
Net differences between projected and actual earnings on OPEB plan investments	9,432	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,584	1,658
Employer contributions subsequent to the measurement date	2,446	-
Total	\$ 277,462	\$ 77,015

The \$2,446 reported as deferred outflows related to OPEB resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDING DECEMBER 31	NET DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES
2022	\$ 37,406
2023	36,386
2024	35,336
2025	32,385
2026	38,910
Thereafter	17,578
Total	\$ 198,001

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:

Actuarial Valuation Date:	January 1, 2020
Measurement Date of Net OPEB Liability:	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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, 2020 is based upon a rollforward of the liability calculated from the January 1, 2020 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.

ASSET CLASS	INDEX	TARGET ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN %
U.S. Credit Bonds	Barclays Credit	50%	1.47%
U.S. Mortgages	Barclays MBS	50%	0.82%
Inflation			2.20%
Long-term Expected Rate of Return			4.25%

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% respectively. 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 2.25% was used to measure the total OPEB Liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of MPU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents MPU's proportionate share of the net OPEB liability calculated using the discount rate of 2.25 percent, as well as what MPU's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% DECREASE TO DISCOUNT RATE (1.25%)	CURRENT DISCOUNT RATE (2.25%)	1% INCREASE TO DISCOUNT RATE (3.25%)
MPU's Proportionate Share of the Net OPEB Liability	\$ 881,183	\$ 647,792	\$ 471,286

Payables to the OPEB Plan. As of December 31, 2021, MPU had no outstanding payables to the OPEB plan.

NOTE 9 - 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 MPU fall below this threshold. This calculation is based off the average of the prior two years' cash operating expenses, and interest expense.

As of December 31, 2021, MPU has funded its reserves at 150 days and complied with Commission resolution of at least 120 days.

	2020	2019	AVERAGE	150 DAYS
Water	\$ 5,244,001	\$ 4,536,382	\$ 4,890,192	\$ 2,009,668
Electric	51,756,146	53,080,762	52,418,454	21,541,830
Steam	1,215,804	1,324,168	1,269,986	521,912
Information Technology	826,545	820,655	823,600	338,466
Broadband	79,932	72,692	76,312	31,361

NOTE 10 - RISK MANAGEMENT

MPU is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omission, workers compensation and health care of its employees. These risks, except those related to health care, are covered through the purchase of commercial insurance with minimal deductibles. Settled claims have not exceeded the commercial coverage in the past year. There were no significant reductions in coverage compared to the prior three years.

NOTE 11 - 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 MPU (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.

NOTE 12 - 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, 2021, technical and administrative services provided to GLU totaled \$403,310, with a current receivable from GLU of \$37,601 for services rendered.

In addition, for the year ended December 31, 2021 GLU has purchased power totaling \$25,392,437 from MPU and MPU has a current receivable from GLU of \$2,598,442.

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Wisconsin Retirement System

WRS FISCAL YEAR END DATE (MEASUREMENT DATE)	MPU PROPORTION OF THE NET PENSION ASSET/ LIABILITY	MPU PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/ LIABILITY	MPU'S COVERED BY PAYROLL	MPU'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/ LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION (ASSET) LIABILITY
12/31/20	0.04347040%	\$ (2,713,917)	\$ 6,815,249	39.82%	105.26%
12/31/19	0.04152655%	(1,339,006)	6,830,511	19.60%	102.96%
12/31/18	0.04137931%	1,472,146	6,654,834	22.12%	96.45%
12/31/17	0.04103787%	(1,218,463)	6,354,189	19.18%	102.93%
12/31/16	0.04200699%	346,756	6,069,810	5.71%	99.12%
12/31/15	0.04243429%	689,549	5,973,877	11.54%	98.20%
12/31/14	0.04375710%	(1,074,795)	6,131,326	17.53%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System (WRS)

MPU YEAR END DATE	CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL
12/31/21	\$ 510,622	\$ 510,622	-	\$ 7,564,766	6.75%
12/31/20	460,029	460,029	-	6,815,249	6.75%
12/31/19	447,398	447,398	-	6,830,511	6.55%
12/31/18	445,873	445,873	-	6,654,834	6.70%
12/31/17	409,764	409,764	-	6,354,189	6.45%
12/31/16	406,224	406,224	-	6,069,810	6.69%
12/31/15	418,061	418,061	-	5,973,877	7.00%

*The amounts presented for each year were determined as of the calendar year-end from the prior calendar year. Ten years of data will be accumulated beginning with 2014.

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Other Post-Employment Benefits Other Than Pensions
Cost-Sharing Plan

OPEB FISCAL YEAR END DATE (MEASUREMENT DATE)	MPU'S PROPORTION OF THE NET OPEB LIABILITY	MPU'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	MPU'S COVERED PAYROLL	MPU'S 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
12/31/20	0.11776494%	\$ 647,792	\$ 6,815,249	9.51%	31.36%
12/31/19	0.11039128%	396,494	6,830,511	5.80%	37.58%
12/31/18	0.09241670%	238,466	6,654,834	3.58%	48.69%
12/31/17	0.09089161%	273,454	6,354,189	4.30%	44.81%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Other Post-Employment Benefits Other Than Pensions

MPU YEAR END DATE	CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL
12/31/21	\$ 2,446	\$ 2,446	\$ -	\$ 6,104,558	0.04%
12/31/20	2,791	2,791	-	6,815,249	0.04%
12/31/19	2,952	2,952	-	6,830,511	0.04%
12/31/18	8,701	8,701	-	6,654,834	0.13%

MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

SCHEDULE OF CHANGES IN TOTAL OPEB AND RELATED RATIOS

Other Post-Employment Benefit Plan - Single-Employer Plan

Last 10 Measurement Years*

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 19,557	\$ 15,364	\$ 12,677	\$ 11,544
Interest	6,861	5,947	4,673	4,633
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	-	59,444	-	-
Changes of Assumptions or Other Input	9,696	28,770	(6,948)	3,230
Benefit Payments	(15,559)	(1,254)	(6,508)	(8,000)
Net Change in Total OPEB Liability	20,575	108,271	3,894	11,407
Total OPEB Liability - Beginning	238,569	130,298	126,404	114,997
Total OPEB Liability - Ending (a)	\$ 259,144	\$ 238,569	\$ 130,298	\$ 126,404
Covered-Employee Payroll	\$ 6,815,249	\$ 6,815,249	\$ 6,333,360	\$ 6,333,360
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.80%	3.50%	2.06%	2.00%

*Ten years of data will be accumulated beginning with 2018.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT PENSION PLAN

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

Changes of assumptions. No significant changes in assumptions from the prior year were noted.

OTHER POST-EMPLOYMENT BENEFITS PLAN – COST SHARING PLAN

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

Changes of assumptions. The discount rate assumption used to develop the total OPEB liability changed from the prior year. Please refer to the actuarial assumptions section above for additional detail.

OTHER POST-EMPLOYMENT BENEFITS PLAN – SINGLE EMPLOYER PLAN

Changes of benefit terms. There were no changes of benefit terms for any participating employer in MPU's single employer plan.

Changes of assumptions. The discount rate assumption used to develop the total OPEB liability changed from the prior year. Please refer to the actuarial assumptions section above for additional detail.

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