

Menasha Utilities
City of Menasha, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019



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Menasha Utilities

City of Menasha, Wisconsin

DECEMBER 31, 2019

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Menasha Utilities City of Menasha, Wisconsin

DECEMBER 31, 2019

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

59



Independent auditors' report

To the Board of Commissioners
Electric and Water Utilities Commission
City of Menasha, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Menasha Utilities, City of Menasha, Wisconsin (the "Utilities") as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1, the financial statements present only Menasha Utilities of the City of Menasha, Wisconsin, and do not purport to, and do not present fairly the financial position of the City of Menasha, Wisconsin, as of December 31, 2019 and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Prior Year Summarized Financial Information

We have previously audited the Menasha Utilities of the City of Menasha, Wisconsin's 2018 financial statements, and our report dated March 26, 2019, expressed an unmodified opinion on those respective financial statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the schedules relating to pensions and other postemployment benefits on pages 44 through 45 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utilities' financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, Menasha Utilities, City of Menasha, Wisconsin's basic financial statements for the year ended December 31, 2018, which are not presented with the accompanying financial statements and we expressed an unmodified opinion on the respective financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Menasha Utilities, City of Menasha, Wisconsin's basic financial statements as a whole. The Electric Distribution, Energy Services, Telecommunication, and Water Utilities financial statements as of and for the year ended December 31, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 Electric Distribution, Energy Services, Telecommunication, and Water Utilities financial statements are fairly stated in all material respects in relation to the basic financial statements from which they were derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020, on our consideration of the Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin

April 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

The management of Menasha Utilities offers all parties interested in the financial position of the utilities an objective, easy to read overview and analysis of the utilities' financial performance during the years ending December 31, 2019 and 2018. Please read this narrative in conjunction with the utility's financial statements.

Financial Highlights

- The Electric utility's operating revenue for all customer classes decreased 4.68% from 2018 due to a full year of the rate decrease that went into effect March 1, 2018, less consumption and negative or lower pass-through rates (PCAC, DCA and ECA). Consumption was less by nearly 14 million kWh, or 2.5% from 2018. Consumption has had a decreasing trend since 2011. Residential consumption decreased by 4.7%, or 2.9 million kWh compared to 2018. Industrial customers had a decrease in consumption from 2018 of 2.2%, or 10.5 million kWh. Our average number of customers served has stayed constant around 9,200 with minimal growth. We purchased 1.5% or 8.3 million less kilowatt hours from WPPI Energy in 2019 compared to 2018. The total kWh purchased was 558,871,450, in which all industrial customers used 470,149,032, or 84% of the total. The average cost of power decreased by 2% to \$62.83/MWh compared to \$64.10/MWh in 2018. In the last five years, the cost per MWh has decreased by 11%, or \$7.68/MWh. Consequently, purchased power decreased by 4.16%, or \$1.5 million from 2018 to 2019.
- The Water utility's operating revenue decreased by 11.2%, or \$699,355 from 2018. Total water consumption decreased by nearly 150 million gallons, or 20.1% compared to 2018. These consumption amounts are very similar to what we experienced in 2017 since 2018 was abnormally high due to a large industrial customer. With respect to consumption, the Industrial customer class and the Sales for Resale customer made up the largest decreases with 37.5% and 6.8%, respectively. The average number of customers remains constant for the last several years at 5,000. Water rates have been in place since May 1, 2018. The Water utility experienced 26 main breaks in 2019, compared to 32 in 2018. We also had 13 service leaks in 2019 compared to 20 in 2018. Consequently, there was less in main break costs during the year.
- The Water utility filed a Lead Service Lateral (LSL) application with the Public Service Commission of Wisconsin (PSC) on October 19, 2018 for implementing a customer-side lead service line replacement program. There were 55 private LSL's replaced in 2019. In summary, the Water utility, the City of Menasha and the property owner will each contribute one third of the cost of replacement. The customer can obtain a five-year loan from the utility if they need assistance. The total expense recognized in 2019 for our internal labor, vehicle time and our portion of the LSL was \$52,110.
- The Electric utility's restricted and other cash balances increased by \$434,048 during 2019. The Depreciation fund, used for larger capital projects, decreased by \$256,432 during 2019. The Working Capital fund increased by \$937,057 due to making monthly transfers into the fund to increase our operation and maintenance balance. The Deferred Cushion fund that was created in 2018 decreased by \$259,549 in which those funds were transferred into operations according to the PSC rate order from 2018. The PSC determined that the Electric utility needed to return \$289,152 per year to customers over the next six years. That was completed and the difference in the two amounts is the interest earned on those funds set aside.
- The Water utility's restricted and other cash balances decreased by \$94,009 from 2018. The Depreciation fund, used for plant replacement, decreased by \$97,935 from 2018 since some of these funds were used for the large main replacement project. All other projects (including a large portion of the main replacement project) were paid out of operational funds. No new debt was taken out in 2019. Funds were added monthly to the Water Utility Reserve in 2019 for a future water tower painting and the ending balance is \$99,134. A new fund was created for the Lead Service Lateral program. The balance at the end of 2019 is \$10,712. The balance in the Joint Bond Redemption fund is \$787,810 to fund debt payments in 2020.
- The Water utility has continued to upgrade operations mainly in the Water Distribution system in 2019. New valves, hydrants and 7,925 feet of main were installed into the system. Infrastructure was updated on DePere, Frederick, Lake Road, Lisbon, Second, Walnut and Willow in Menasha. The largest project during 2019 was completed on DePere Street. Our system loss ratio was 7.55%, which is under our target of 8%.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Overview of the Financial Statements

The Electric and Water utility are self-supporting entities and are separate enterprise funds of the City of Menasha. The utility provides electric services to properties within the City of Menasha, Village of Fox Crossing (formerly known as the Town of Menasha), and Village of Harrison and water services to the City of Menasha and Village of Fox Crossing. The utility performs the billing and collection functions for the City of Menasha Sewage Treatment Fund and the Storm Water Fund.

The Electric utility has established an Energy Services utility for the purpose of providing a means for municipal, civic and school customers to obtain relatively expensive lighting systems with little capital expenditures. The leased lighting program is offered within the present boundaries of Menasha Utilities.

The Electric utility has funded a Telecommunication utility that operates under a CLEC that was obtained from the Public Service Commission of Wisconsin in 2000. The Telecommunications utility provides a wide area network communication within the utility and offers high speed Internet and dark fiber communication services to municipal, commercial and industrial customers.

Menasha Electric and Water Utilities are managed by the Menasha Utilities Commission and operate under service rules and rates that are established by the Public Service Commission of Wisconsin (PSC). The accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the PSC, and in accordance with the Governmental Accounting Standards Board.

The Utility purchases its full electric requirements from WPPI Energy. WPPI Energy is a municipal electric utility of the State of Wisconsin and Menasha Utilities is one of its 51 members/owners. WPPI Energy also provides electric requirements to other municipalities in both Iowa and Upper Michigan. WPPI Energy provides affordable electricity to more than 200,000 residential and business customers and has been in business for over 35 years. The purpose of WPPI Energy is to provide an economical and reliable supply of energy to its members. Through joint action, public power communities are stronger since we can offer cost-effective programs and services for our customers. The WPPI Energy contract was extended in 2002 to 2037. A subsequent amendment was approved in January 2016 to extend the contract through 2055.

The Statement of Net Position (Table 1 and 2) and the Statement of Revenues, Expenses, and Changes in Net Position (Table 3 and 4) provide an indication of the Utilities' change in financial condition during the last year. The Utilities' net position reflects the difference between assets and liabilities. The Statement of Revenues, Expenses and Changes in Net Position reflect the income and expenses of the Utility for the year.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Utility Financial Analysis

Table 1
Condensed Statement of Net Position – Electric Utility

	2019	2018	Dollar Change	Percent Change
Current and Other Assets	14,189,432	14,609,253	(419,821)	(2.87%)
Net Capital Assets	15,373,039	14,867,613	505,426	3.40%
Net Pension Asset	-	386,851	(386,851)	(100.00%)
Total Assets	29,562,471	29,863,717	(301,246)	(1.01%)
Deferred Outflows of Resources	1,230,605	710,277	520,328	73.26%
Long Term Debt Outstanding	8,596,783	9,367,112	(770,329)	(8.22%)
Other Liabilities	6,097,641	5,576,191	521,450	9.35%
Total Liabilities	14,694,424	14,943,303	(248,879)	(1.67%)
Deferred Inflows of Resources	669,490	768,429	(98,939)	(12.88%)
Net Investment in Capital Assets	6,005,927	4,760,530	1,245,397	26.16%
Restricted for Pension Benefits	-	386,851	(386,851)	(100.00%)
Restricted for Debt Retirement	2,180,913	2,160,285	20,628	0.95%
Unrestricted	7,242,322	7,554,596	(312,274)	(4.13%)
Total Net Position	15,429,162	14,862,262	566,900	3.81%

In Current and Other Assets, Customer Accounts Receivable decreased by \$253,428, or 7.9% from 2018. With the rate decrease from 2018 and lower consumption, balances outstanding decreased. Other Accounts Receivable increased by 31% because the Wisconsin Department of Transportation (WI DOT) owes \$282,617 of outstanding invoices. Inventories and prepaid items increased by \$71,838, or 12.86% from 2018 because several 2020 insurance invoices were paid early in 2019 based on due dates. Cash and investments (for normal operations) decreased by \$634,991 due to lower amounts billed to customers. Restricted Cash and Investments increased by 5.9%, or \$434,048. While the Working Capital fund increased, the Depreciation and Deferred credit cushion funds decreased.

The specifics on the increases in the Capital Assets can be found on the Capital Assets Schedule - Table 7. The Deferred Outflows and Inflows of Resources are for pension activity with the Wisconsin Retirement System (WRS) as well as Other Postemployment Related Amounts. More details on this information can be found under Note E – Pension Plan and Note F – Other Postemployment Benefits, in the audit detail. In 2019, it switched from being a Net Pension Asset to a Liability which is included in the Other Liabilities total. This is the main reason for the increase from 2018, since the liability is for \$454,856.

The Long-Term Debt Outstanding decreased by the second payment made on the State Trust revenue bonds. The other reason for the increase in Other Liabilities is the increase in the Accounts Payable balance by 3.4% compared to 2018. The amount due to WPPI Energy for power supply and other support charges decreased by \$169,459 compared to the year-end balance in 2018; however, there are large payables to two vendors for substation-related work.

Fund detail is found under Note B – Restricted and Other Assets in the audit.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Table 2
Condensed Statement of Net Position – Water Utility

	2019	2018	Dollar Change	Percent Change
Current and Other Assets	4,515,662	4,635,373	(119,711)	(2.58%)
Net Capital Assets	21,670,669	21,503,108	167,561	0.78%
Net Pension Asset	-	214,785	(214,785)	(100.00%)
Total Assets	26,186,331	26,353,266	(166,935)	(0.63%)
Deferred Outflows of Resources	711,005	401,005	310,000	77.31%
Long Term Debt Outstanding	7,954,847	9,027,520	(1,072,673)	(11.88%)
Other Liabilities	2,645,289	2,257,130	388,159	17.20%
Total Liabilities	10,600,136	11,284,650	(684,514)	(6.07%)
Deferred Inflows of Resources	384,099	426,642	(42,543)	(9.97%)
Net Investment in Capital Assets	12,966,872	11,793,244	1,173,628	9.95%
Restricted for Pension Benefits	-	214,785	(214,785)	(100.00%)
Restricted for Debt Service	787,810	822,675	(34,865)	(4.24%)
Unrestricted	2,158,419	2,212,275	(53,856)	(2.43%)
Total Net Position	15,913,101	15,042,979	870,122	5.78%

In Current and Other Assets, Inventories and prepaid items increased by 18.9%, or \$53,449 due to a higher balance in prepaid for 2020 insurance invoices paid in 2019. Customer Accounts Receivable decreased in total by \$8,646; however, this balance now includes loans taken out by customers who had their lead service lateral replaced in 2019. The total outstanding for all loans at the end of 2019 is \$29,066 which is for 40 customers. All capital projects were funded through funds from operations and the Depreciation fund, even including the large main replacement project. In addition, we continued transferring a monthly payment into the Water Utility Reserve fund for future painting of the water tower on Doty Island.

The specifics on the increases in the Capital Assets can be found on the Capital Assets Schedule - Table 7.

Deferred Outflows and Inflows of Resources relate to pension activity with the WRS and Other Postemployment Related Amounts. Please see Notes E and F in the audit detail for specifics.

The Long-Term Debt Outstanding decreased by the principal payments made in 2019. No new debt was taken out in 2019 for capital projects. Specifics about debt can be found in the Long-Term Debt Activity section. Other Liabilities increased mainly by the balance in Accounts Payable. We had higher balances at the end of 2019 for the main replacement contractor, while the amount due to the City remained constant.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Table 3
Condensed Statement of Revenues,
Expenses and Changes in Net Position
Electric Utility

	2019	2018	Dollar Change	Percent Change
Operating Revenue	39,884,573	41,842,464	(1,957,891)	(4.68%)
Non-Operating Revenue	<u>251,544</u>	<u>186,749</u>	<u>64,795</u>	<u>34.70%</u>
Total Revenues	40,136,117	42,029,213	(1,893,096)	(4.50%)
Depreciation Expense	1,218,522	1,227,220	(8,698)	(0.71%)
Other Operating Expenses	37,534,700	38,977,246	(1,442,546)	(3.70%)
Non-Operating Expenses	<u>449,299</u>	<u>489,028</u>	<u>(39,729)</u>	<u>(8.12%)</u>
Total Expenses	39,202,521	40,693,494	(1,490,973)	(3.66%)
Income before Contributions and Transfers	933,596	1,335,719	(402,123)	(30.11%)
Customer Contributions	291,619	131,808	159,811	121.25%
Transfers Out	<u>(658,315)</u>	<u>(647,219)</u>	<u>(11,096)</u>	<u>1.71%</u>
Change in Net Position	566,900	820,308	(253,408)	(30.89%)
Beginning Net Position	<u>14,862,262</u>	<u>14,041,954</u>	<u>820,308</u>	<u>5.84%</u>
Ending Net Position	15,429,162	14,862,262	566,900	3.81%

Total Operating Revenues for all customer classes decreased 4.68% from 2018 due to a full year of the rate decrease that went into effect March 1, 2018, less consumption and negative or lower pass-through rates (PCAC, DCA and ECA). The average cost of power was \$62.83/MWh which is 2% lower than the average for 2018 which was \$64.10/MWh. Purchased power costs are down by \$1,510,745, or 4.2% compared to 2018.

Distribution expenses are lower by 2.8% compared to 2018 due to less in metering expenses and miscellaneous distribution expenses. Both are mainly less in labor due to transition plans that took place in 2018 in those departments. Customer Accounts expense is higher by \$21,038, or 6.5% mainly due to a large bankruptcy processed for a commercial customer. Administrative and General expenses increased by 10.1% from 2018 because of more costs related to pensions and benefits (mainly GASB 68 WRS & GASB 75 life insurance entries), as well as more in wages/salaries due to more hours allocated for this function.

The Transfers Out line item is strictly the PILOT (payment in lieu of taxes) payment to the City.

The Customer Contributions increased in 2019 by \$151,811 because of a large WI DOT project completed on Racine and Olde Midway Roads. In addition, other contributions include two car washes and three commercial/industrial upgrades.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Table 4
Condensed Statement of Revenues,
Expenses and Changes in Net Position
Water Utility

	2019	2018	Dollar Change	Percent Change
Operating Revenue	5,533,349	6,232,704	(699,355)	(11.22%)
Non-Operating Revenue	63,407	50,681	12,726	25.11%
Total Revenues	5,596,756	6,283,385	(686,629)	(10.93%)
Depreciation Expense	997,065	972,518	24,547	2.52%
Other Operating Expenses	2,759,557	2,791,820	(32,263)	(1.16%)
Non-Operating Expenses	258,420	295,110	(36,690)	(12.43%)
Total Expenses	4,015,041	4,059,447	(44,406)	(1.09%)
Income before Contributions and Transfers	1,581,715	2,223,938	(642,223)	(28.88%)
Customer Contributions	1,741	7,516	(5,775)	(76.84%)
Transfers Out	(713,334)	(703,183)	(10,151)	1.44%
Change in Net Position	870,122	1,528,271	(658,149)	(43.06%)
Beginning Net Position	15,042,979	13,514,708	1,528,271	11.31%
Ending Net Position	15,913,101	15,042,979	870,122	5.78%

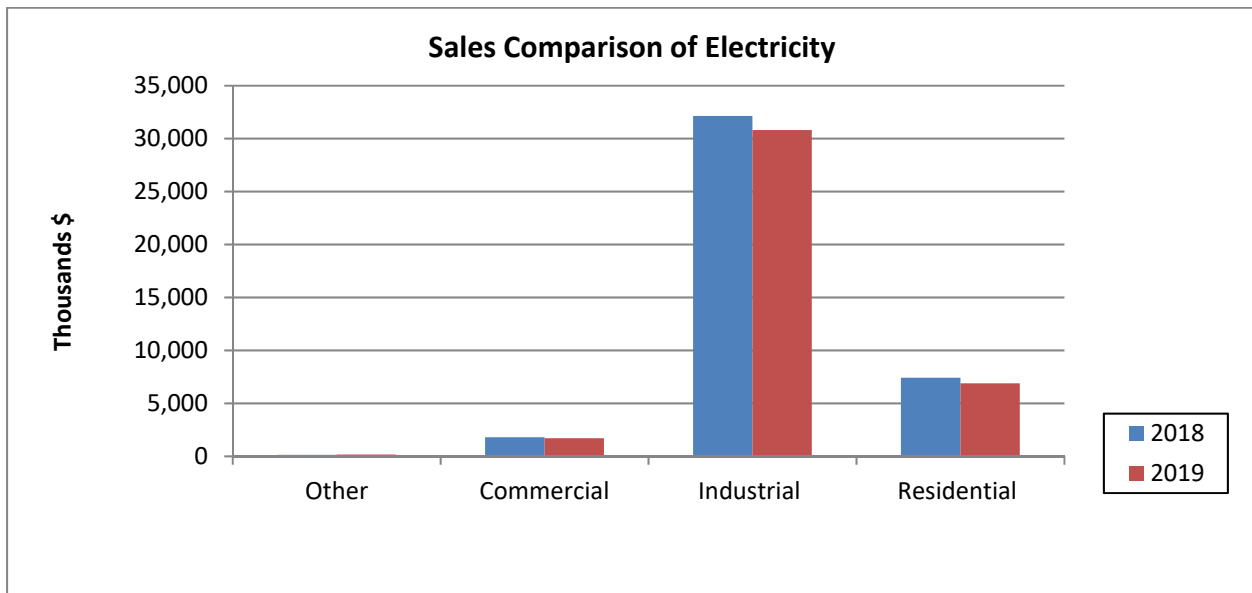
Total Operating Revenues for all customer classes decreased by 11.2% compared to 2018. Industrial and Sales for Resale customers all took significantly less water in 2019 compared to 2018. Industrial revenues decreased by 34.8% or \$685,281 for the year. Sales for Resale revenues decreased by 6.9%. Residential consumption decreased slightly by 3%, or 5.1 million gallons; however, revenues increased by 1% due to a full year of rates which were put into place on May 1, 2018.

In Other Operating Expenses, Source of Supply, Pumping, Water Treatment, and Transmission and Distribution expenses all decreased compared to 2018. In 2018 more water was produced so expenses had been higher. Chemical costs decreased by 12%, or \$40,369 compared to 2018. However, the average chemical cost per thousand gallons increased by 6.9% from \$0.3918 in 2018 to \$0.4188 in 2019. The 2019 price is very similar to what we experienced in 2017. Transmission and Distribution expense decreased due to fewer main breaks experienced in 2019 compared to 2018. In addition, 2019 was the first year in which the utility's grant portion (one third of the total cost) was recognized in our expenses. Administrative expenses increased due to more pension and benefit expense as well as more in building maintenance which included removing wallpaper and painting areas of the Office Complex.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

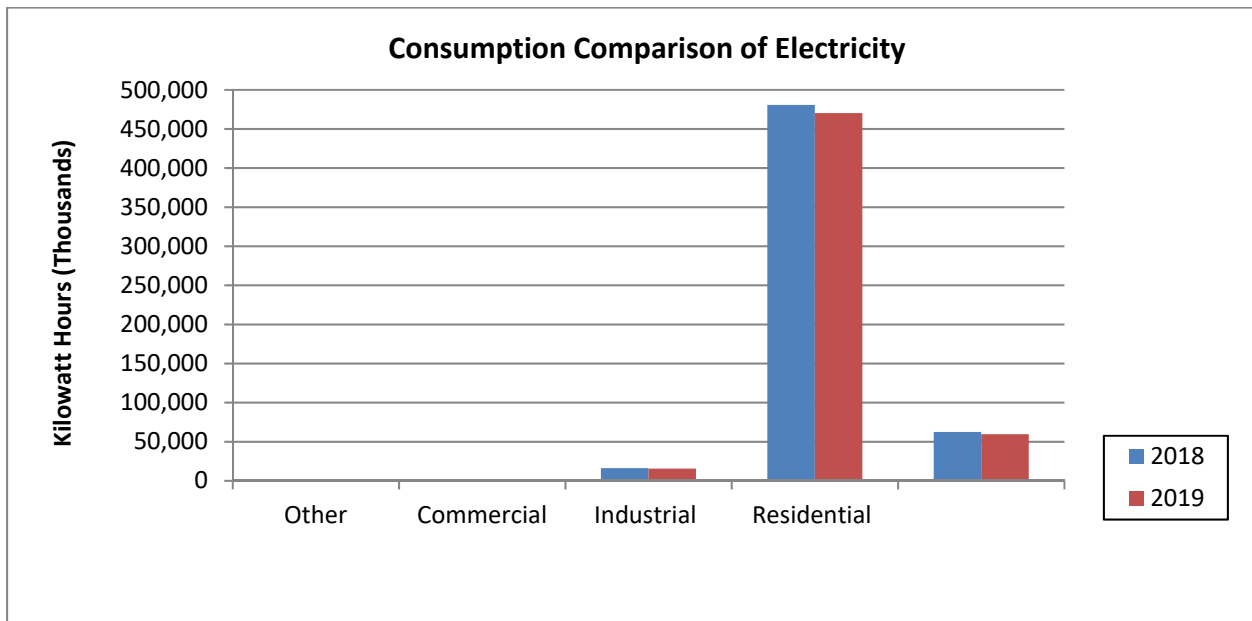
Table 5



Total revenues decreased by 4.68%, or just over \$1.9 million from 2018. Consumption decreased by 14 million kWh, or 2.5% compared to last year. Nearly all customer classes saw a decrease in consumption compared to 2018. See the consumption graph below.

The above sales figures include a mostly negative PCAC, ECA and DCA for our customers throughout the year, which is a pass-through from our power provider, WPPI Energy.

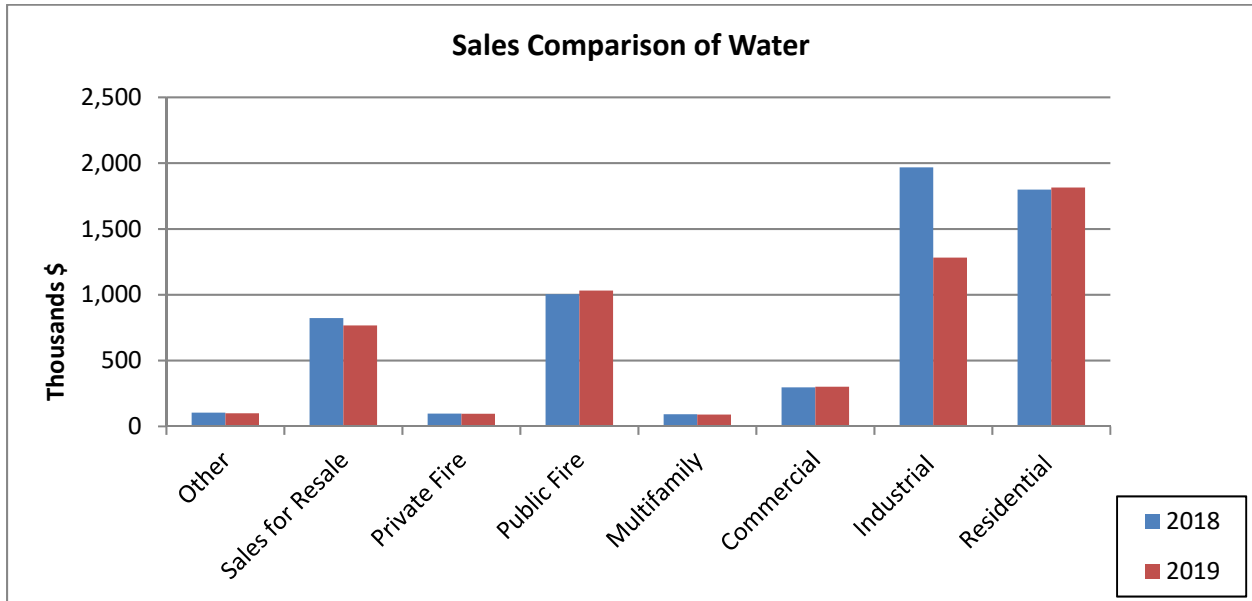
Industrial revenues decreased by 4.1%, or \$1,319,491 from 2018 with consumption decreasing by 10.5 million kWh, or 2.2%. Residential revenues decreased by \$526,088, or 7.1% and consumption decreased by 2.9 million kWh or 4.7%.





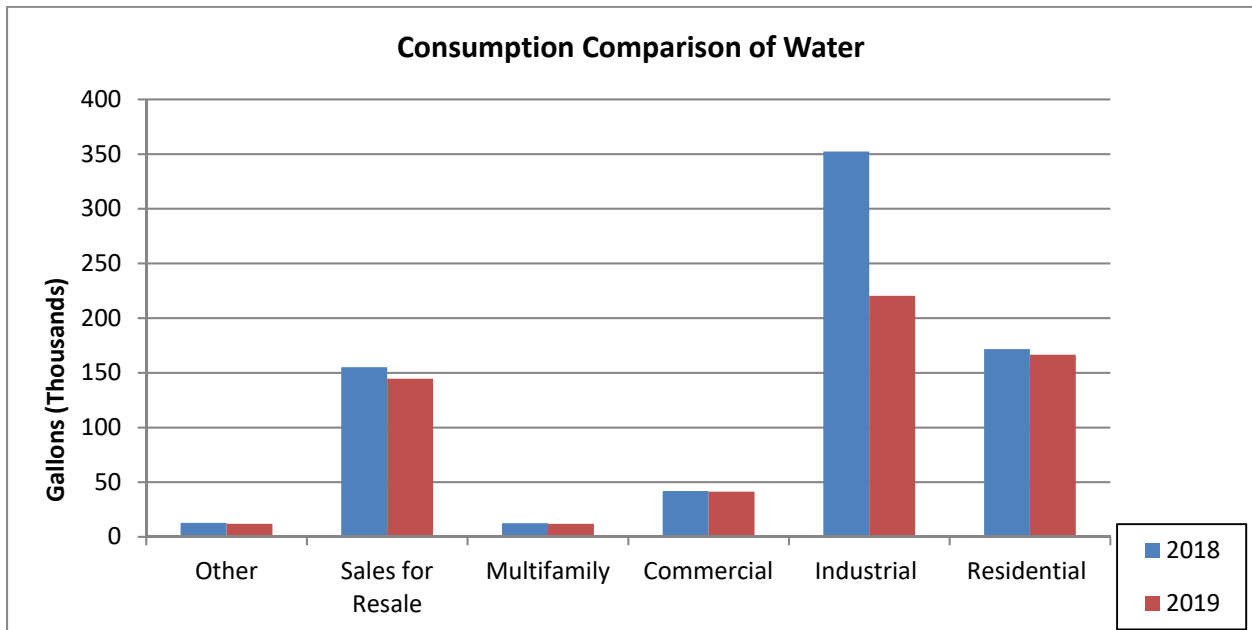
MENASHA UTILITIES
 MANAGEMENT DISCUSSION AND ANALYSIS
 DECEMBER 31, 2019 AND 2018

Table 6



For 2019, the consumption of water sold to all customers decreased by 20.1%, or nearly 150 million gallons. The largest decrease in consumption from the prior year was in the Industrial and Sales for Resale classes; they took 37.5% and 6.8% less, respectively for a combined total of 143 million gallons. Residential customers took 3%, or 5 million gallons less than in 2018. The Other reflects municipal water sales.

Total revenues decreased by 11.2% from 2018. The Industrial customer class decreased revenues by 35%, or \$685,280. The Sales for Resale customer decreased revenues by 7%. Rates have been in place since May 1, 2018 which is when the PSC authorized an overall rate increase of 5.99%.





MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Capital Asset Activity

Table 7
Capital Assets – Electric and Water Utility

	2019	2018	Dollar Change	Total Percent Change
Capital Assets – Water				
Source of Supply	433,257	433,257	-	0.00%
Pumping	3,075,316	3,075,316	-	0.00%
Water Treatment	13,589,247	13,605,400	(16,153)	(0.12%)
Transmission and Distribution	16,212,291	15,272,232	940,059	6.16%
General Plant	990,090	936,337	53,753	5.74%
Total Water Capital Assets	34,300,201	33,322,542	977,659	2.93%
Less: Accumulated depreciation	(12,973,492)	(12,109,251)	(864,241)	7.14%
Property Held for Future Use	235,161	235,161	-	0.00%
Construction in progress	108,800	54,656	54,144	99.06%
Net Capital Assets	21,670,670	21,503,108	167,562	0.78%
Capital Assets – Electric				
Distribution	28,349,067	27,699,800	649,267	2.34%
General Plant	5,444,050	5,312,943	131,107	2.47%
Total Electric Capital Assets	33,793,117	33,012,743	780,374	2.36%
Less: Accumulated depreciation	(19,092,359)	(18,740,838)	(351,521)	1.88%
Utility Plant Acquisition Adjustment	584	-	584	100.00%
Property Held for Future Use	59,315	104,402	(45,087)	(43.19%)
Non-Utility Property	12,887	12,887	-	0.00%
Construction in progress	599,497	478,419	121,078	25.31%
Net Capital Assets	15,373,041	14,867,613	505,428	3.40%

In Transmission and Distribution plant for the Water utility, water main, hydrants, valves and services were replaced on DePere Street, Frederick Street, Lisbon Avenue, Second Street, Walnut Street, Willow Street and Lake Road. A total of 7,925 feet of main was installed with those projects. In addition, a total of 31 valves, 19 hydrants and 174 services were installed in the distribution system. In Water Treatment plant, new heaters, ammonia pumps and alum booster pumps were installed in the Water Plant. Separately, in General Plant a new phone system was installed at the Office Complex and Water Plant; computers were purchased; a security project was completed for the Water Plant; and a corrosion rig was built to test lead in pipes.

During 2019 the Electric utility had an increase in Distribution Plant mainly through normal operations including transformers, new services and change-out's and many overhead and underground replacement projects. A major project was completed at Northside Substation with the installation of switchgear, breakers and relays. In addition, at the substations several transformer monitors were installed as well as a battery bank at Northside. The main increase in General Plant includes the purchase of a new bucket truck and pickup truck, miscellaneous computer equipment, a SCADA server and upgrade, a new phone system and several smaller projects at the Office Complex. Construction in progress increased by 25.31% due to



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

ongoing projects at the substations including the Melissa switchgear project, new circuit breakers and a rebuild of a transformer at Tayco Substation.

The Electric utility had developer and customer contributions of \$291,619 with total contributed plant of \$3,313,598. The contributions include two car washes, three commercial/industrial upgrades and a large WI DOT project on Racine/Olde Midway Roads.

The Water utility had customer contributions of \$1,741 during the year and their contributed plant totaled \$1,523,634. Contractors paid for one new residential service installed.

Long-Term Debt Activity

The Electric Utility started the year with a balance of \$10,800,000 of State Trust Fund Revenue Bonds that were taken out on March 1, 2017. This debt paid off the capital lease due to WPPI Energy associated with the sale and leaseback transaction. A debt payment was made on March 15, 2019 for \$1,169,522. The debt will be paid off in 2029 and the interest rate for this debt is 4.25%. The balance at year end is \$9,367,112. All projects were funded throughout the year from operations and the Depreciation fund.

The City of Menasha refinanced the State Trust Loan on behalf of the Water utility in August 2012. The original State Trust Loan, General Obligation Notes, was taken out in 2011 with the sale and leaseback transaction since the revenue bonds were defeased at that time. The Water utility made a principal payment on the refinanced Notes in 2019 for \$125,381. The balance outstanding at the end of 2019 is \$1,958,689. The interest rate is 4% and the debt will be paid off in 2031.

The Water utility did not take out any new financing during 2019. All projects were funded through normal operations. The outstanding balance at the end of 2019 for all loans is \$6,745,108. This balance is made up of six separate loans including the original Water Plant project; the 3rd Street Water Distribution project; scraper project at the Water Plant; additional Water Plant enhancements for the original project; the 2012 main replacement project for Ida, Grove, Arthur and 8th Streets; and the High Lift Pump modifications and River Crossing project. The Water utility paid off \$880,686 of the principal for these loans in 2019.

The Electric utility provided Inter-company Loans to help fund various capital projects within the Utility several years ago. As of December 31, 2019, the Water utility has an outstanding balance of \$282,737. The Telecommunications outstanding 2019 balance is \$285,000.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Economic Factors

The Utilities have continued with project and financial planning as well as capital budgeting and strategic planning on looking at the overall needs for infrastructure within the City of Menasha and our boundaries. Several regulatory factors were kept in mind when looking at the overall strategy. The 2020 Electric budget was approved to include the purchase of transformers, computer equipment and a vehicle to upgrade our existing infrastructure and equipment. Also, an AMI metering transition plan was approved in 2019 in which all meters will be replaced from 2020 through 2029. In addition, we will continue to rebuild several aging overhead electric distribution facilities. Acquisitions in the Deerfield Avenue area will be completed in 2020 that include a total of four phases, in which three of the phases were completed in 2019. The Racine Street Bridge project is included in the budget; however, there were many unknown factors at the time of the budget, so an estimate was provided at that time and actual costs/bids are being brought forward when known. Substation upgrades include the replacement of switchgear and a circuit breaker, along with battery replacements, transformer monitors and SCADA upgrades. Work continues on the Tayco transformer that has been out of service since the end of 2018. In the Water utility budget such projects include replacement of water main, turbidimeters, HVAC heaters at the Water Plant and the modifications with pumps at the High Lift Pump Station continue. Along with the electric utility, an AMI water meter plan was approved in 2019. In 2020, the first AMI meters will be purchased to start the transition. The new raw water intake continues to be discussed by staff, City departments and other regulatory agencies for all specifications and approvals. SCADA upgrades, computers, security at the Water Plant and network upgrades were also approved.

The Electric utility needs to file a rate case with the PSC by March 1, 2020 to maintain the financial strength of the utility and meet PSC requirements documented in the last rate case. With this filing, we have asked for an extension to include our most current audited 2019 financials into the rate making model. Our current rates went into effect on March 1, 2018. Overall, customers of the Electric utility experienced a rate decrease of 2.14% which equates to an annual decrease of \$930,366; however, each rate class has a different calculation due to the cost of service.

The current Water utility rates went into effect on May 1, 2018. The overall increase in customer rates was 5.99%. With this rate case, depreciation rates were also changed, and the new rate of return was lowered to 4.9%.

The Water utility now offers a customer-side lead service line replacement program. With every private lead service lateral replacement, the Water utility, the City of Menasha and the property owner each contribute one third of the cost of replacement, up to \$1,000 per residential property for the City and Utility. The customer can obtain a five-year, zero-interest loan from the utility if they need assistance and repay it monthly on their utility bill. The program will be funded out of the Depreciation Fund for the first five years.

Contacting Financial Management

This financial report is designed to provide our customers, investors, and other interested parties with a general overview of the utilities' financial operations and condition. If you have questions regarding the information provided in this report or wish to request additional financial information, contact the General Manager, Menasha Utilities, P.O. Box 340, Menasha, WI 54952.

General information relating to Menasha Utilities can be found on the Utility web site at www.menashautilities.com.

FINANCIAL STATEMENTS

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and investments	\$ 1,758,979	\$ 2,384,847
Receivables		
Customer accounts	3,480,417	3,703,488
Other	365,004	295,040
Due from other governments	334,285	357,275
Inventories	609,152	580,926
Prepaid items	377,646	280,548
Total current assets	<u>6,925,483</u>	<u>7,602,124</u>
Noncurrent assets		
Restricted and other assets		
Cash and investments	<u>11,306,375</u>	<u>10,990,920</u>
Other assets		
Tower painting	53,669	118,693
Net pension asset	-	601,636
Total other assets	<u>53,669</u>	<u>720,329</u>
Capital assets		
Nondepreciable	2,221,548	2,091,330
Depreciable, net	<u>35,190,666</u>	<u>34,631,731</u>
Total capital assets	<u>37,412,214</u>	<u>36,723,061</u>
Total assets	<u>55,697,741</u>	<u>56,036,434</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	1,926,572	1,092,705
Other postemployment related amounts	<u>15,038</u>	<u>18,577</u>
Total deferred outflows of resources	<u>1,941,610</u>	<u>1,111,282</u>

The notes to the financial statements are an integral part of this statement.

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,612,745	3,385,332
Accrued and other current liabilities	2,077,522	2,062,031
Special deposits	2,777	29,163
Unearned revenue	839	849
Payable from restricted assets		
Current portion of long-term obligations		
General obligation debt	130,182	125,381
Revenue bonds	1,671,834	1,620,657
Accrued interest	424,553	457,321
	<u>7,920,452</u>	<u>7,680,734</u>
Long-term obligations, less current portion		
General obligation debt	1,828,507	1,958,689
Revenue bonds	14,440,386	16,112,220
Net pension liability	715,816	-
Other postemployment benefits	126,042	171,775
	<u>17,110,751</u>	<u>18,242,684</u>
Total liabilities	<u>25,031,203</u>	<u>25,923,418</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	994,181	1,185,144
Other postemployment related amounts	59,408	9,927
	<u>1,053,589</u>	<u>1,195,071</u>
NET POSITION		
Net investment in capital assets	19,341,305	16,906,114
Restricted		
Pension benefits	-	601,636
Debt retirement	2,968,723	2,982,960
Unrestricted	9,244,531	9,538,517
Total net position	<u>\$ 31,554,559</u>	<u>\$ 30,029,227</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services	\$ 45,289,630	\$ 47,916,582
Other	244,265	268,796
Total operating revenues	<u>45,533,895</u>	<u>48,185,378</u>
OPERATING EXPENSES		
Operation and maintenance	40,095,517	41,569,635
Depreciation and amortization	2,249,618	2,232,950
Taxes	210,842	217,363
Total operating expenses	<u>42,555,977</u>	<u>44,019,948</u>
Operating income	<u>2,977,918</u>	<u>4,165,430</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	308,569	235,468
Other income deductions	(150)	(150)
Merchandising and jobbing	13,446	1,352
Interest and fiscal charges	(671,245)	(732,577)
Miscellaneous	(46,149)	(62,481)
Total nonoperating revenues (expenses)	<u>(395,529)</u>	<u>(558,388)</u>
Income before contributions and transfers	2,582,389	3,607,042
Capital contributions	332,188	153,424
Transfers out	<u>(1,389,245)</u>	<u>(1,367,786)</u>
Change in net position	1,525,332	2,392,680
Net position - January 1	<u>30,029,227</u>	<u>27,636,547</u>
Net position - December 31	<u>\$ 31,554,559</u>	<u>\$ 30,029,227</u>

The notes to the financial statements are an integral part of this statement.

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 45,696,892	\$ 49,040,710
Cash paid for employee wages and benefits	(2,739,512)	(2,761,997)
Cash paid to suppliers	<u>(36,962,785)</u>	<u>(38,884,262)</u>
Net cash provided by operating activities	<u>5,994,595</u>	<u>7,394,451</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	-	290,104
Private lead service replacements	-	(243,849)
Transfer out	<u>(1,389,245)</u>	<u>(1,367,786)</u>
Net cash used by noncapital financing activities	<u>(1,389,245)</u>	<u>(1,321,531)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(3,121,134)	(2,136,482)
Capital contributions	332,188	153,424
Disposal of capital assets, including cost of disposal	14,665	(9,408)
Principal paid on general obligation debt	(125,381)	(120,559)
Principal paid on revenue bonds	(1,620,657)	(1,553,266)
Interest paid on long-term debt	<u>(704,013)</u>	<u>(779,198)</u>
Net cash flows used by capital and related financing activities	<u>(5,224,332)</u>	<u>(4,445,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>283,699</u>	<u>236,005</u>
Change in cash and cash equivalents	(335,283)	1,863,436
Cash and cash equivalents - January 1	<u>13,163,238</u>	<u>11,299,802</u>
Cash and cash equivalents - December 31	<u>\$ 12,827,955</u>	<u>\$ 13,163,238</u>

The notes to the financial statements are an integral part of this statement.

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 2,977,918	\$ 4,165,430
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	2,249,618	2,232,950
Depreciation charged to clearing accounts	167,698	181,930
Merchandising and jobbing	13,296	1,202
Miscellaneous	(46,149)	(62,481)
Changes in amounts reported for cost-sharing, multiple-employer plans		
Pension		
Net pension asset	601,636	(601,636)
Deferred outflows -pension related	(833,867)	194,189
Net pension liability	715,816	(164,668)
Deferred inflows - pension related	(190,963)	667,277
Other postemployment benefits		
Deferred outflows - OPEB related	3,539	(18,577)
OPEB Liability	(45,733)	24,501
Deferred inflows - OPEB related	49,481	9,927
Other assets - amortization of tower painting	65,024	64,922
Change in operating assets and liabilities		
Accounts receivables	223,071	361,870
Other receivables	(69,964)	243,547
Due from other governments	22,990	228,350
Inventories and prepaid items	(125,324)	88,062
Accounts payable	227,413	(210,673)
Accrued and other current liabilities	15,491	(32,034)
Customer deposits	(26,386)	21,240
Unearned revenue	(10)	(877)
Net cash provided by operating activities	<u>\$ 5,994,595</u>	<u>\$ 7,394,451</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ 1,758,979	\$ 2,384,847
Cash and cash equivalents in restricted assets	11,306,375	10,990,920
Less: Long-term cash and investments	<u>(237,399)</u>	<u>(212,529)</u>
Total cash and cash equivalents	<u>\$ 12,827,955</u>	<u>\$ 13,163,238</u>
Noncash capital and related financing activities		
None		

The notes to the financial statements are an integral part of this statement.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Utilities is a municipal corporation governed by a five member board of commissioners appointed by the City of Menasha common council. In accordance with GAAP, the financial statements are required to include the Utilities and any separate component units that have a significant operational or financial relationship with the Utilities. The Utilities has not identified any component units that are required to be included in the financial statements in accordance with standards established in GASB Statement No. 61.

B. ENTERPRISE FUND FINANCIAL STATEMENTS

The Utilities are an enterprise fund of the City of Menasha, Wisconsin and, as such, are accounted for using the accrual basis of accounting. The accounting system conforms with the system of accounts as prescribed by the Public Service commission of Wisconsin.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statement present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The accrual basis of accounting is utilized by an enterprise fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

The Utilities distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with the Utilities' principal ongoing operations. The principal operating revenues of the Utilities is charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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

1. Cash and Investments

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

2. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method.

3. Inventories

Inventories are recorded at cost, which approximates market, using the weighted average method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

4. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

5. Capital Assets

Capital assets, which include property, plant and equipment assets, are reported in the financial statements. Capital assets are defined by the Utilities as assets with an estimated useful life in excess of a year. 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.

Capital assets of the Utilities are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Improvements other than buildings	18 - 77
Equipment	4 - 17

6. Sewer and Stormwater Collections

The Utilities perform the billing and collection functions for the City of Menasha Sewage Treatment and Stormwater Funds. The Utilities charge the City for these services at cost plus a return on investment for Sewer collections and at cost for Stormwater collections. The cost reimbursement is credited directly to the related expense accounts.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. **Compensated Absences**

It is the Utilities' policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies. Vacation benefits are accrued when incurred in the financial statements.

8. **Deferred Outflows/Inflows of Resources**

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

9. **Long-term Obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

10. **Pensions**

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

11. **Other Postemployment Benefits Other Than Pensions (OPEB)**

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. Net Position

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

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

E. USE OF ESTIMATES

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

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The Utilities maintain restricted and unrestricted cash and investment accounts held by the City of Menasha Treasurer.

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

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

The carrying amount of the Utilities' cash and investments totaled \$13,065,354 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$ 4,525
Deposits with financial institutions	12,823,330
Investments	
Common stock	100
U.S. Treasury stripped securities	237,399
	<u>\$ 13,065,354</u>

Reconciliation to the basic financial statements:

Statement of Net Position	
Cash and investments	\$ 1,758,979
Restricted and other cash and investments	11,306,375
	<u>\$ 13,065,354</u>

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

Fair Value Measurements

The Utilities categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Utilities has the following fair value measurements as of December 31, 2019:

	<u>Fair Value Measurements Using:</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
U.S. Treasury stripped securities	\$ -	\$ 237,399	\$ -

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Utilities does not have an additional custodial credit policy.

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

As of December 31, 2019, \$2,955,764 of the Utilities’ deposits with financial institutions were in excess of federal and state depository insurance limits. The financial institution collateralized \$2,955,764 of its bank deposits with securities held by the pledging financial institution or its trust department or agent but not in the Utilities’ name.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes and the investment policy of the Utilities limits investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Utilities investment in U.S. Treasury stripped securities is exempt from disclosure.

Concentration of Credit Risk

The investment policy of the Utilities contains no limitations on the amount that can be invested in any one issuer. At December 31, 2019, the Utilities had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Utilities investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Utilities’ investment policy limits investment maturities to three years or less from the date of acquisition.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury stripped securities	\$ 237,399	\$ -	\$ -	\$ -	\$ 237,399

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
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B. RESTRICTED AND OTHER ASSETS

Restricted and other assets on December 31, 2019 totaled \$11,306,375 and consisted of cash and investments held for the following purposes:

Segment	Amount	Purpose
Electric utility		
Restricted assets		
Debt reserve	\$ 1,205,146	Resources set aside to make up potential future deficiencies in the debt service account
Debt service	975,767	Resources accumulated for debt service payments over the next twelve months
Other assets		
Rate cushion	1,296,648	Resources set aside per Public Service Commission requirements for rate cushion
Depreciation	1,349,009	Resources accumulated for repairs, replacements, or additions to capital assets
Postemployment benefits	215,734	Resources accumulated for postemployment health benefits
Working capital	<u>2,752,915</u>	Resources accumulated for operational cash flow needs
Total electric utility	<u>7,795,219</u>	
Water utility		
Restricted assets		
Debt service	787,810	Resources accumulated for debt service payments over the next twelve months
Other assets		
Depreciation	1,994,759	Resources accumulated for repairs, replacements, or additions to capital assets
Chemical stabilization	552,378	Resources accumulated for replacement of chemical feed equipment or purchase of chemicals
Lead service lateral replacement	10,712	Resources accumulated for replacement of private lead service laterals
Utility reserve	99,134	Resources accumulated for painting and maintenance of the water tower
Total water utility	<u>3,444,793</u>	
Telecommunications utility		
Other assets		Resources accumulated for repairs, replacements, or additions to capital assets
Depreciation	<u>66,363</u>	
Total restricted and other assets	<u>\$ 11,306,375</u>	

Menasha Utilities

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C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 1,193,996	\$ -	\$ -	\$ 1,193,996
Other assets	363,759	584	45,088	319,255
Construction in progress	533,575	175,222	500	708,297
Total capital assets, nondepreciable	<u>2,091,330</u>	<u>175,806</u>	<u>45,588</u>	<u>2,221,548</u>
Capital assets, depreciable:				
Buildings and improvements	9,047,484	36,598	15,785	9,068,297
Improvements other than buildings	38,303,841	2,047,761	505,008	39,846,594
Machinery and equipment	18,832,410	861,469	628,808	19,065,071
Subtotals	<u>66,183,735</u>	<u>2,945,828</u>	<u>1,149,601</u>	<u>67,979,962</u>
Less accumulated depreciation for:				
Electric distribution utility	18,740,841	1,358,176	1,006,652	19,092,365
Energy services utility	133,340	8,110	-	141,450
Telecommunications utility	568,575	25,921	12,510	581,986
Water utility	12,109,248	1,025,109	160,862	12,973,495
Subtotals	<u>31,552,004</u>	<u>2,417,316</u>	<u>1,180,024</u>	<u>32,789,296</u>
Total capital assets, depreciable, net	<u>34,631,731</u>	<u>528,512</u>	<u>(30,423)</u>	<u>35,190,666</u>
Capital assets, net	<u>\$ 36,723,061</u>	<u>\$ 704,318</u>	<u>\$ 15,165</u>	37,412,214
Less: Capital related debt				<u>(18,070,909)</u>
Net investment in capital assets				<u>\$ 19,341,305</u>

Depreciation expense was charged to functions of the Utilities as follows:

Electric distribution utility	\$ 1,218,522
Energy services utility	8,110
Telecommunications utility	25,921
Water utility	997,065
Total depreciation expense	<u>2,249,618</u>
Depreciation charged to operating and clearing accounts	167,698
Total increase in accumulated depreciation	<u>\$ 2,417,316</u>

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D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Utilities for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings					
General obligation notes	\$ 2,084,070	\$ -	\$ 125,381	\$ 1,958,689	\$ 130,182
Revenue bonds	<u>17,732,877</u>	<u>-</u>	<u>1,620,657</u>	<u>16,112,220</u>	<u>1,671,834</u>
Total long-term obligations	<u>\$ 19,816,947</u>	<u>\$ -</u>	<u>\$ 1,746,038</u>	<u>\$ 18,070,909</u>	<u>\$ 1,802,016</u>

Total interest paid during the year on long-term debt totaled \$681,865.

State Trust Fund Loans

The Utilities' outstanding notes from direct borrowings from the state trust fund loan program, consisting of general obligation notes of \$1,958,689 and revenue bonds of \$9,367,112 are subject to a statutory provision that in an event of late or non-payment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin to the City of Menasha.

Safe Drinking Water Loan Program

The Utilities' outstanding revenue bonds from the Safe Drinking Loan Program of \$6,745,109 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the Utility or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
State trust fund loan from direct borrowings	08/15/12	03/15/31	4.00%	\$ 2,786,026	<u>\$ 1,958,689</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$1,958,689 on December 31, 2019 are detailed below:

<u>Year Ended December 31,</u>	<u>Direct borrowings - general obligation notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 130,182	\$ 78,562	\$ 208,744
2021	135,604	73,140	208,744
2022	141,028	67,716	208,744
2023	146,669	62,075	208,744
2024	152,382	56,362	208,744
2025-2029	859,112	184,609	1,043,721
2030-2031	<u>393,712</u>	<u>23,777</u>	<u>417,489</u>
	<u>\$ 1,958,689</u>	<u>\$ 546,241</u>	<u>\$ 2,504,930</u>

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City of Menasha, Wisconsin

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DECEMBER 31, 2019

Legal Margin for New Debt

The Utilities' outstanding general obligation debt of \$1,958,689 is considered part of the City of Menasha, Wisconsin's debt limitation in accordance with Wisconsin Statute 67.03.

Revenue Bonds

Revenue bonds outstanding on December 31, 2019 totaled \$16,112,220 and were comprised of the following issues:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
Safe drinking water loan program from direct borrowings	04/26/06	05/01/25	2.365%	\$ 12,061,890	\$ 4,599,641
Safe drinking water loan program from direct borrowings	04/11/07	05/01/26	2.668%	779,363	432,517
Safe drinking water loan program from direct borrowings	04/22/09	05/01/28	2.475%	678,908	345,334
Safe drinking water loan program from direct borrowings	11/09/11	05/01/31	2.20%	233,307	154,937
Safe drinking water loan program from direct borrowings	06/13/12	05/01/32	2.20%	639,000	869,481
Safe drinking water loan program from direct borrowings	07/25/12	05/01/32	2.20%	1,276,480	343,199
State trust fund loan from direct borrowings	03/01/17	03/15/29	4.25%	10,800,000	9,367,112
Total outstanding revenue bonds					<u>\$ 16,112,221</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$16,112,220 on December 31, 2019 are detailed below:

<u>Year Ended December 31,</u>	<u>Direct borrowings - revenue bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,671,834	\$ 547,079	\$ 2,218,913
2021	1,726,976	491,685	2,218,661
2022	1,782,968	435,434	2,218,402
2023	1,840,930	377,208	2,218,138
2024	1,900,227	317,641	2,217,868
2025-2029	6,826,631	770,929	7,597,560
2030-2032	362,654	11,762	374,416
	<u>\$ 16,112,220</u>	<u>\$ 2,951,739</u>	<u>\$ 19,063,959</u>

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Utility Revenues Pledged

Revenue bonds are payable only from revenues derived from the operation of the electric and water utilities and do not constitute debt which with faith and credit or taxing powers of the City are pledged. The Utilities have pledged future utility revenues, net of specified operating expenses, to repay the revenue bonds through 2029 and 2032, respectively. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the Utilities. A summary of net customer revenues and remaining principal and interest due on revenue bonds follows:

	<u>Electric Utility</u>	<u>Water Utility</u>
Net Customer Revenues		
Charges for services	\$ 39,694,671	\$ 5,479,526
Other income	<u>189,902</u>	<u>53,823</u>
Total operating revenues	39,884,573	5,533,349
Less: Operating expenses ⁽¹⁾	<u>37,534,700</u>	<u>2,759,556</u>
Net customer revenues	<u>\$ 2,349,873</u>	<u>\$ 2,773,793</u>
⁽¹⁾ Excludes depreciation expense		
Debt Service		
Principal	\$ 739,971	\$ 880,686
Interest	<u>429,551</u>	<u>168,951</u>
Total debt service	<u>\$ 1,169,522</u>	<u>\$ 1,049,637</u>
Remaining principal and interest	<u>\$ 11,695,221</u>	<u>\$ 7,368,738</u>

E. PENSION PLAN

1. Plan Description

The WRS is a cost-sharing, multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1200 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 Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

Employees who retire at or after age 65 (54 for protective occupation employees, 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.

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

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

The WRS also provides death and disability benefits for employees.

2. 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

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3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remained of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2019, the WRS recognized \$195,384 in contributions from the Utilities.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At December 31, 2019, the Utilities reported a liability of \$715,816 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities’ proportion of the net pension liability was based on the Utilities’ share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Utilities’ proportion was 0.02012029%, which was a decrease of 0.00014283% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Utilities recognized pension expense of \$488,431.

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At December 31, 2019, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 557,512	\$ 985,482
Net differences between projected and actual earnings on pension plan investments	1,045,401	-
Changes in assumptions	120,659	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,616	8,699
Employer contributions subsequent to the measurement date	195,384	-
Total	<u>\$ 1,926,572</u>	<u>\$ 994,181</u>

\$195,384 reported as deferred outflows related to pension resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Expense</u>
2020	\$ 270,600
2021	66,837
2022	115,061
2023	284,509
Total	<u>\$ 737,007</u>

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5. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 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. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

Single Discount Rate. A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Utilities' proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Utilities' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the Utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase to Discount Rate (8.0%)</u>
Utilities' proportionate share of the net pension liability (asset)	\$ 2,844,731	\$ 715,816	\$ (867,196)

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

6. Payables to the Pension Plan

At December 31, 2019, the Utilities reported a payable of \$29,484 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

F. OTHER POSTEMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

Contribution rates as of December 31, 2019 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

Life Insurance Employee Contribution Rates*		
For the Year Ended December 31, 2018		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

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

During the year ended December 31, 2019, the LRLIF recognized \$906 in contributions from the employer.

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

At December 31, 2019, the Utilities reported a liability of \$126,042 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability was based on the Utilities' share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the Utilities' proportion was 0.04884700%, which was a decrease of 0.008248% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Utilities recognized OPEB expense of \$8,228.

At December 31, 2019, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,394
Net differences between projected and actual earnings on OPEB plan investments	3,012	-
Changes in assumptions	12,026	27,321
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	25,693
Total	<u>\$ 15,038</u>	<u>\$ 59,408</u>

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

<u>Year Ended December 31,</u>	<u>Expense</u>
2020	\$ (6,774)
2021	(6,774)
2022	(6,774)
2023	(7,198)
2024	(7,633)
Thereafter	(9,217)
Total	<u>\$ (44,370)</u>

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Actuarial assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
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. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

Single discount rate. A single discount rate of 4.22% was used to measure the total OPEB liability. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

Sensitivity of the Utilities’ proportionate share of net OPEB liability to changes in the discount rate. The following presents the Utilities’ proportionate share of the net OPEB liability calculated using the discount rate of 4.22%, as well as what the Utilities’ proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
Utilities' proportionate share of the net OPEB liability	\$ 179,303	\$ 126,042	\$ 84,963

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

Payable to the OPEB Plan

At December 31, 2019, the Utilities reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

G. NET POSITION

The Utilities reports restricted net position for debt service of \$2,968,723 at December 31, 2019.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 4: OTHER INFORMATION

A. RISK MANAGEMENT

The Utilities are part of the City of Menasha's self-funded liability insurance program with claims processed by the Cities and Utilities of Mutual Insurance Company (CVMIC) on behalf of the City. CVMIC is a municipal insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. CVMIC provides liability insurance coverage above the self-insured limit to cities and Utilities which make up the membership.

The Utilities have also purchased commercial insurance policies for various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and acts of God. The Utilities completes an annual review of its insurance coverage to ensure adequate coverage.

B. SEGMENT INFORMATION

The Utilities issues separate revenue bonds to finance its electric and water utilities. The Electric and Water Utilities are accounted for in a single fund but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Segment information for the Electric Utility and Water Utility are presented below.

	<u>Electric Utility</u>	<u>Water Utility</u>
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current	\$ 5,826,476	\$ 1,017,200
Restricted	7,795,219	3,444,793
Noncurrent		
Net capital assets	15,373,039	21,670,669
Other assets	567,737	53,669
Total assets	<u>29,562,471</u>	<u>26,186,331</u>
Deferred outflows of resources	<u>1,230,605</u>	<u>711,005</u>
Liabilities		
Current	5,562,693	2,621,116
Noncurrent		
Long-term	9,131,731	7,979,020
Total liabilities	<u>14,694,424</u>	<u>10,600,136</u>
Deferred inflows of resources	<u>669,490</u>	<u>384,099</u>
Net position		
Net investment in capital assets	6,005,927	12,966,872
Restricted		
Debt service	2,180,913	787,810
Depreciation reserve	1,349,009	-
Unrestricted	5,893,313	2,158,419
Total net position	<u>\$ 15,429,162</u>	<u>\$ 15,913,101</u>

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues		
Charges for services	\$ 39,694,671	\$ 5,479,526
Other	189,902	53,823
Total operating revenues	<u>39,884,573</u>	<u>5,533,349</u>
Operating expenses		
Operation and maintenance	37,378,423	2,705,207
Depreciation and amortization	1,218,522	997,065
Taxes	156,277	54,349
Total operating expenses	<u>38,753,222</u>	<u>3,756,621</u>
Operating income	<u>1,131,351</u>	<u>1,776,728</u>
Nonoperating income (expenses)		
Interest revenue	245,572	61,580
Merchandising and jobbing	5,972	1,827
Interest and fiscal charges	(404,416)	(257,004)
Miscellaneous	(44,883)	(1,416)
Total nonoperating income (expenses)	<u>(197,755)</u>	<u>(195,013)</u>
Income before contributions and transfers	933,596	1,581,715
Customer contributions	291,619	1,741
Transfers out	(658,315)	(713,334)
Change in net position	<u>566,900</u>	<u>870,122</u>
Net position - January 1	<u>14,862,262</u>	<u>15,042,979</u>
Net position - December 31	<u>\$ 15,429,162</u>	<u>\$ 15,913,101</u>

C. CONTINGENCIES

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

D. SIGNIFICANT CUSTOMERS

During 2019, the electric utility billed one customer \$17,505,268, and one customer \$4,397,536. This represents 44% and 11% of electric utility operating revenue, respectively. In addition, the water utility billed one customer \$810,845 which represents 15% of water utility operating revenue, respectively. No other utility customer accounted for more than 10% of operating revenue.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

E. WPPI ENERGY CONTRACT

The Utilities purchase their electric requirements from WPPI Energy (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.0825 of the Wisconsin Statutes (the "Act"). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The Utilities are one of 51 members of WPPI located throughout the States of Wisconsin, Michigan, and Iowa. On December 31, 1989, each of WPPI's members, including the City of Menasha, commenced purchasing electric services from WPPI under a new Long-term Power Supply Contract for Participating Members (the "Long-term Contract") under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements to the members for an initial thirty-five year term. The contract was amended during 2016 to extend the term of the contract through 2055.

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

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

The electric operation purchases power through WPPI Energy for distribution to its customers. Total purchases under this arrangement amounted to approximately \$34.8 million in 2019.

F. SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Menasha Utilities, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness, shortages of personnel, and delays in receiving customer payments on account. Management believes the Utilities is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

Menasha Utilities

City of Menasha, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.02060246%	\$ (506,053)	\$ 2,796,060	18.10%	102.74%
12/31/15	0.01994373%	324,082	2,733,140	11.86%	98.20%
12/31/16	0.01997819%	164,668	2,996,516	5.50%	99.12%
12/31/17	0.02026312%	(601,636)	3,089,467	19.47%	102.93%
12/31/18	0.02012029%	715,816	2,903,570	24.65%	96.45%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 185,854	\$ 185,854	\$ -	\$ 2,733,140	6.80%
12/31/16	197,770	197,770	-	2,996,516	6.60%
12/31/17	210,084	210,084	-	3,089,467	6.80%
12/31/18	194,539	194,539	-	2,903,570	6.70%
12/31/19	195,384	195,384	-	2,982,962	6.55%

See notes to required supplementary information.

Menasha Utilities

City of Menasha, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.05709500%	\$ 171,775	\$ 2,401,008	7.15%	44.81%
12/31/18	0.04884700%	126,042	2,508,000	5.03%	48.69%

SCHEDULE OF CONTRIBUTIONS
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 931	\$ 931	\$ -	\$ 2,508,000	0.04%
12/31/19	906	906	-	2,600,000	0.03%

See notes to required supplementary information.

Menasha Utilities

City of Menasha, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

A. WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

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

B. OTHER POSTEMPLOYMENT BENEFITS

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total OPEB liability changed, including the discount rate, wage inflation rate, mortality and separation rates.

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

SUPPLEMENTARY INFORMATION

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 ELECTRIC DISTRIBUTION UTILITY
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and investments	\$ 1,739,092	\$ 2,374,083
Receivables		
Customer accounts	2,954,337	3,207,765
Other	350,851	267,908
Due from other funds	-	6,005
Due from other governments	151,700	182,440
Inventories and prepaid items	<u>630,496</u>	<u>558,658</u>
Total current assets	<u>5,826,476</u>	<u>6,596,859</u>
Noncurrent assets		
Restricted and other assets		
Cash and investments	<u>7,795,219</u>	<u>7,361,171</u>
Other assets		
Advance to other funds	567,737	651,223
Net pension asset	<u>-</u>	<u>386,851</u>
Total other assets	<u>567,737</u>	<u>1,038,074</u>
Capital assets		
Nondepreciable	1,218,963	1,142,387
Depreciable, net	<u>14,154,076</u>	<u>13,725,226</u>
Total capital assets	<u>15,373,039</u>	<u>14,867,613</u>
Total assets	<u>29,562,471</u>	<u>29,863,717</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	1,221,049	698,332
Other postemployment related amounts	<u>9,556</u>	<u>11,945</u>
Total deferred outflows of resources	<u>1,230,605</u>	<u>710,277</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 ELECTRIC DISTRIBUTION UTILITY
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS INFORMATION AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,256,720	3,150,687
Accrued and other current liabilities	1,200,317	1,188,061
Unearned revenue	2,666	29,062
Current portion of long-term obligations		
Revenue bonds	770,329	739,971
Accrued interest	<u>332,661</u>	<u>357,959</u>
Total current liabilities	<u>5,562,693</u>	<u>5,465,740</u>
Long-term obligations, less current portion		
Revenue bonds	8,596,783	9,367,112
Net pension liability	454,856	-
Other postemployment benefits	<u>80,092</u>	<u>110,451</u>
Total long-term liabilities	<u>9,131,731</u>	<u>9,477,563</u>
Total liabilities	<u>14,694,424</u>	<u>14,943,303</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	631,740	762,046
Other postemployment related amounts	<u>37,750</u>	<u>6,383</u>
Total deferred inflows of resources	<u>669,490</u>	<u>768,429</u>
NET POSITION		
Net investment in capital assets	6,005,927	4,760,530
Restricted		
Pension benefits	-	386,851
Debt retirement	2,180,913	2,160,285
Unrestricted	<u>7,242,322</u>	<u>7,554,596</u>
Total net position	<u>\$ 15,429,162</u>	<u>\$ 14,862,262</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 ELECTRIC DISTRIBUTION UTILITY
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services		
Residential	\$ 6,889,367	\$ 7,415,454
Small commercial and industrial	1,701,823	1,791,048
Large commercial and industrial	30,812,153	32,131,645
Public street and highway	158,227	139,850
Other sales to public authorities	2,935	1,918
Interdepartmental sales	130,166	145,045
Total charges for services	<u>39,694,671</u>	<u>41,624,960</u>
Other	189,902	217,504
Total operating revenues	<u>39,884,573</u>	<u>41,842,464</u>
OPERATING EXPENSES		
Operation and maintenance		
Purchased power	<u>34,840,552</u>	<u>36,351,297</u>
Distribution		
Operation supervision and engineering	82,082	91,161
Load dispatching	171,187	184,232
Station	25,617	22,481
Overhead line	67,524	37,178
Underground line	40,549	30,391
Street lighting and signal system	8,248	4,061
Meter	141,301	163,648
Customer installations	6,321	4,711
Rents	9,867	9,562
Maintenance supervision and engineering	47,971	56,848
Maintenance	357,538	359,760
Miscellaneous	254,019	283,242
Total distribution	<u>1,212,224</u>	<u>1,247,275</u>
Customer accounts		
Supervision	23,113	22,933
Meter reading	39,744	37,888
Customer records and collection	264,546	264,312
Uncollectible accounts	18,768	-
Total customer accounts	<u>346,171</u>	<u>325,133</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 ELECTRIC DISTRIBUTION UTILITY
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Operation and maintenance		
Administrative and general		
Salaries	225,225	208,111
Office supplies	44,030	32,565
Outside services employed	35,399	36,507
Property insurance	24,750	23,142
Injuries and damages	18,489	24,747
Employee pensions and benefits	517,284	427,518
Regulatory commission	1,904	28,229
Rents	2,642	2,642
Maintenance	61,579	54,008
Miscellaneous	48,174	52,535
Total administrative and general	<u>979,476</u>	<u>890,004</u>
Total operation and maintenance	37,378,423	38,813,709
Depreciation	1,218,522	1,227,220
Taxes	156,277	163,537
Total operating expenses	<u>38,753,222</u>	<u>40,204,466</u>
Operating income	<u>1,131,351</u>	<u>1,637,998</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	245,572	184,131
Merchandising and jobbing	5,972	2,618
Interest and fiscal charges	(404,416)	(437,427)
Miscellaneous	(44,883)	(51,601)
Total nonoperating revenues (expenses)	<u>(197,755)</u>	<u>(302,279)</u>
Income before contributions and transfers	933,596	1,335,719
Capital contributions	291,619	131,808
Transfers out	<u>(658,315)</u>	<u>(647,219)</u>
Change in net position	566,900	820,308
Net Position - January 1	<u>14,862,262</u>	<u>14,041,954</u>
Net position - December 31	<u>\$ 15,429,162</u>	<u>\$ 14,862,262</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 ENERGY SERVICES UTILITY
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and investments	\$ 16,420	\$ 3,954
Inventories and prepaid items	273	6
Total current assets	<u>16,693</u>	<u>3,960</u>
Capital assets		
Depreciable, net	<u>61,294</u>	<u>69,404</u>
Total assets	<u>77,987</u>	<u>73,364</u>
NET POSITION		
Investment in capital assets	61,294	69,404
Unrestricted	<u>16,693</u>	<u>3,960</u>
Total net position	<u>\$ 77,987</u>	<u>\$ 73,364</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 ENERGY SERVICES UTILITY
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services		
Other sales to public authorities	\$ 12,968	\$ 12,968
OPERATING EXPENSES		
Operation and maintenance		
Maintenance	-	2,900
Property insurance	235	220
Injuries and damages	-	4
Employee pensions and benefits	-	15
Total operation and maintenance	<u>235</u>	<u>3,139</u>
Depreciation	8,110	8,110
Taxes	-	17
Total operating expenses	<u>8,345</u>	<u>11,266</u>
Change in net position	4,623	1,702
Net position - January 1	<u>73,364</u>	<u>71,662</u>
Net position - December 31	<u><u>\$ 77,987</u></u>	<u><u>\$ 73,364</u></u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 TELECOMMUNICATIONS UTILITY
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and investments	\$ 3,167	\$ 253
Receivables		
Customer accounts	42,846	3,843
Inventories and prepaid items	19,101	19,331
	<u>65,114</u>	<u>23,427</u>
Noncurrent assets		
Restricted and other assets		
Cash and investments	66,363	90,947
Capital assets		
Nondepreciable	11,873	12,373
Depreciable, net	295,339	270,563
	<u>307,212</u>	<u>282,936</u>
Total assets	<u>438,689</u>	<u>397,310</u>
LIABILITIES		
Current liabilities		
Accounts payable	793	885
Accrued and other current liabilities	18,587	18,303
Advance from other funds	285,000	327,500
	<u>304,380</u>	<u>346,688</u>
NET POSITION		
Net investment in capital assets	307,212	282,936
Unrestricted	<u>(172,903)</u>	<u>(232,314)</u>
Total net position	<u>\$ 134,309</u>	<u>\$ 50,622</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 TELECOMMUNICATIONS UTILITY
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services		
Local service revenues	\$ 102,465	\$ 97,238
Other	540	4
Total operating revenues	<u>103,005</u>	<u>97,242</u>
OPERATING EXPENSES		
Operation and maintenance		
Distribution		
Operation supervision and engineering	369	-
Line expense	2,222	2,663
Miscellaneous	7,646	10,725
Total distribution	<u>10,237</u>	<u>13,388</u>
Administrative and general		
Uncollectible Accounts	3	-
Salaries	989	895
Outside services employed	111	38
Property insurance	269	251
Injuries and damages	19	40
Employee pensions and benefits	28	(47)
Miscellaneous	(4)	(14)
Total administrative and general	<u>1,415</u>	<u>1,163</u>
Total operation and maintenance	11,652	14,551
Depreciation	25,921	25,102
Taxes	216	226
Total operating expenses	<u>37,789</u>	<u>39,879</u>
Operating income	<u>65,216</u>	<u>57,363</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	1,417	1,156
Merchandising and jobbing	5,647	5,742
Interest and fiscal charges	(9,825)	(11,070)
Miscellaneous	-	(7,508)
Total nonoperating revenues (expenses)	<u>(2,761)</u>	<u>(11,680)</u>
Income before contributions and transfers	62,455	45,683
Capital contributions	38,828	14,100
Transfers out	(17,596)	(17,384)
Change in net position	83,687	42,399
Net position - January 1	<u>50,622</u>	<u>8,223</u>
Net position - December 31	<u>\$ 134,309</u>	<u>\$ 50,622</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 WATER UTILITY
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and investments	\$ 300	\$ 552
Receivables		
Customer accounts	483,234	491,880
Other	14,153	27,132
Due from other governments	182,585	174,835
Inventories and prepaid items	<u>336,928</u>	<u>283,479</u>
Total current assets	<u>1,017,200</u>	<u>977,878</u>
Noncurrent assets		
Restricted and other assets		
Cash and investments	<u>3,444,793</u>	<u>3,538,802</u>
Other assets		
Tower painting	53,669	118,693
Net pension asset	<u>-</u>	<u>214,785</u>
Total other assets	<u>53,669</u>	<u>333,478</u>
Capital assets		
Nondepreciable	990,712	936,570
Depreciable, net	<u>20,679,957</u>	<u>20,566,538</u>
Total capital assets	<u>21,670,669</u>	<u>21,503,108</u>
Total assets	<u>26,186,331</u>	<u>26,353,266</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	705,523	394,373
Other postemployment related amounts	<u>5,482</u>	<u>6,632</u>
Total deferred outflows of resources	<u>711,005</u>	<u>401,005</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF NET POSITION
 WATER UTILITY
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities		
Accounts payable	355,232	233,760
Accrued and other current liabilities	858,618	855,667
Advance from other funds	282,737	323,723
Special deposits	950	950
Payable from restricted assets		
Payable from restricted assets		
Current portion of long-term obligations		
General obligation debt	130,182	125,381
Revenue bonds	901,505	880,686
Accrued interest	91,892	99,362
	<u>2,621,116</u>	<u>2,519,529</u>
Total current liabilities		
Long-term obligations, less current portion		
General obligation debt	1,828,507	1,958,689
Revenue bonds	5,843,603	6,745,108
Net pension liability	260,960	-
Other postemployment benefits	45,950	61,324
	<u>7,979,020</u>	<u>8,765,121</u>
Total long-term liabilities		
Total liabilities	<u>10,600,136</u>	<u>11,284,650</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	362,441	423,098
Other postemployment related amounts	21,658	3,544
	<u>384,099</u>	<u>426,642</u>
Total deferred inflows of resources		
NET POSITION		
Net investment in capital assets	12,966,872	11,793,244
Restricted		
Pension benefits	-	214,785
Debt retirement	787,810	822,675
Unrestricted	2,158,419	2,212,275
	<u>15,913,101</u>	<u>15,042,979</u>
Total net position	<u>\$ 15,913,101</u>	<u>\$ 15,042,979</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER UTILITY
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services		
Metered sales to general customers		
Residential	\$ 1,813,979	\$ 1,798,573
Multi-family	89,536	91,691
Commercial	301,400	296,452
Industrial	1,281,853	1,967,134
Total metered sales to general customers	<u>3,486,768</u>	<u>4,153,850</u>
Private fire protection	95,027	96,571
Public fire protection	1,031,730	1,004,103
Other sales to public authorities	99,700	104,183
Sales for resale	766,301	822,709
Total charges for services	<u>5,479,526</u>	<u>6,181,416</u>
Other	53,823	51,288
Total operating revenues	<u>5,533,349</u>	<u>6,232,704</u>
OPERATING EXPENSES		
Operation and maintenance		
Source of supply		
Operation supervision and engineering	10,461	12,336
Operation labor and expenses	47,060	47,230
Maintenance	2,645	5,140
Total source of supply	<u>60,166</u>	<u>64,706</u>
Pumping		
Operation supervision and engineering	9,746	9,879
Fuel for power purchased	130,977	146,297
Pumping labor and expenses	133,646	128,268
Maintenance supervision and engineering	6,636	6,731
Maintenance	1,595	22,783
Miscellaneous	7,135	7,375
Total pumping	<u>289,735</u>	<u>321,333</u>
Water treatment		
Operation supervision and engineering	48,001	34,551
Chemicals	294,143	334,512
Operation labor and expenses	509,297	507,770
Maintenance supervision and engineering	20,739	21,021
Maintenance	151,227	181,974
Miscellaneous	75,247	83,546
Total water treatment	<u>1,098,654</u>	<u>1,163,374</u>
Transmission and distribution		
Operation supervision and engineering	10,370	10,515
Storage facilities	4,274	6,876
Transmission and distribution lines	45,919	52,622
Meter	20,618	14,032
Customer installations	114,275	79,673
Maintenance supervision and engineering	9,332	9,460
Maintenance	227,122	289,288
Miscellaneous	64,513	56,542
Total transmission and distribution	<u>496,423</u>	<u>519,008</u>

Menasha Utilities

City of Menasha, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER UTILITY
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Operation and maintenance (continued)		
Customer accounts		
Supervision	7,343	7,308
Meter reading	8,114	8,032
Customer records and collection	81,217	80,743
Uncollectible	2,673	530
Total customer accounts	<u>99,347</u>	<u>96,613</u>
Administrative and general		
Salaries	101,559	91,279
Office supplies and expenses	35,490	30,050
Outside services employed	17,551	23,112
Property insurance	25,115	25,890
Injuries and damages	16,963	19,813
Employee pensions and benefits	410,352	344,885
Regulatory commission	4,571	4,659
Rents	1,401	1,401
Maintenance	32,807	16,816
Miscellaneous	15,073	15,297
Total administrative and general	<u>660,882</u>	<u>573,202</u>
Total operation and maintenance	2,705,207	2,738,236
Depreciation	997,065	972,518
Taxes	54,349	53,583
Total operating expenses	<u>3,756,621</u>	<u>3,764,337</u>
Operating income	<u>1,776,728</u>	<u>2,468,367</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	61,580	50,181
Other income deductions	(150)	(150)
Merchandising and jobbing	1,827	500
Interest and fiscal charges	(257,004)	(284,080)
Miscellaneous	(1,266)	(10,880)
Total nonoperating revenues (expenses)	<u>(195,013)</u>	<u>(244,429)</u>
Income before contributions and transfers	1,581,715	2,223,938
Capital contributions	1,741	7,516
Transfers out	<u>(713,334)</u>	<u>(703,183)</u>
Change in net position	870,122	1,528,271
Net position - January 1	<u>15,042,979</u>	<u>13,514,708</u>
Net position - December 31	<u>\$ 15,913,101</u>	<u>\$ 15,042,979</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS



Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Board of Commissioners
Electric and Water Utilities Commission
City of Menasha, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Menasha Utilities, City of Menasha, Wisconsin, (the "Utilities") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Utilities' financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated April 10, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Utilities' financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

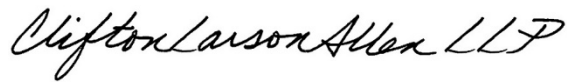
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin

April 10, 2020

