

**MENASHA UTILITIES
CITY OF MENASHA, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Menasha Utilities, City of Menasha, Wisconsin (the Utilities), a component unit of the City of Menasha, Wisconsin as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities, as of December 31, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1.D. of the financial statements, effective January 1, 2022, the Utilities adopted new accounting guidance for leases. The guidance requires lessors to recognize a lease receivable and a corresponding deferred inflow for all leases with lease terms greater than 12 months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **April 11, 2023** April 10, 2023, 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Menasha Utilities' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021. Please read this narrative in conjunction with the utility's financial statements.

Financial Highlights

- The Electric utility's operating revenues have increased by 15%, or \$6 million from 2021 due to more consumption and higher pass-through rates due to the cost of power. Our power supplier, WPPI Energy, stated that throughout the year they were experiencing higher market energy prices. Consumption increased by 24.5 million kWh, or 4.9% from 2021. In comparing Industrial consumption between 2022 and 2021, it increased by 24.8 million kWh, but is still 6% lower than consumption levels before the pandemic. Residential customers had a slight increase in consumption from 2021 of .5%, or 294,838 kWh. Our average number of customers served has increased minimally to approximately 9,430 with most expansion taking place on the City's east side. We purchased 4.6%, or 23.2 million more kilowatt hours from WPPI Energy in 2022 compared to 2021. The total kWh purchased was 528,563,653, in which all industrial customers used 442,388,178 or 84% of the total. The average cost of power increased by 11.3% to \$75.90/MWh compared to \$68.19/MWh in 2021.
- The Water utility's operating revenue increased by 3.8%, or \$190,241 from 2021. Total water consumption increased by over 16.4 million gallons, or 3.3% compared to 2021. The Sales for Resale customer had the largest increase with 18 million gallons. The average number of customers remains constant for the last several years at 5,000. Water rates increased overall by 4.5% on June 1, 2022 since we filed a simplified water rate case with the Public Service Commission. The Water utility experienced 30 main breaks in 2022, compared to 21 in 2021. We also had 9 service leaks in 2022 compared to 21 in 2021.
- 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 123 private LSL's replaced in 2022. Currently, the Water utility, the City of Menasha, and the property owner each contribute one third of the cost of replacement. In 2022 we received a grant from the Safe Drinking Water Loan program for both the utility and City portions each for \$102,501. The customer can obtain a five-year loan from the utility if they need assistance. Since the start of the program, 613 services have been replaced. At the end of 2022, the total customer loans outstanding was \$174,718.
- The Electric utility fund balances increased by \$395,350 during 2022. This is inclusive of restricted and unrestricted balances. The Depreciation fund, used for larger capital projects, increased by \$305,192 to \$1,230,840. The Working Capital fund increased by \$113,386 to \$3,084,361. Every month we transfer the lease payment into this fund that we receive for a business using space at our Meadows substation. In addition, we made monthly contributions to a post-employment fund in which the balance is \$214,576 at year end. Included in all balances are mark-to-market adjustments for the investments we started in 2022.
- The Water utility fund balances, both restricted and unrestricted, increased slightly by \$37,856 from 2021. The Depreciation fund, used for smaller plant replacement projects, decreased by \$18,960 from 2021. We obtained financing from the Safe Drinking Water Loan fund for our large main replacement project for \$914,316. Funds were added monthly to the Water Utility Reserve in 2022 for a future water tower painting and maintenance on the tower and the ending balance is \$158,074. The balance in the Joint Bond Redemption fund is \$867,980 and is used to pay debt payments.
- The Water utility has continued to upgrade operations mainly in the Water Distribution system in 2022. New valves, hydrants and 5,137 feet of main were installed into the system. This is replacing infrastructure that is from 1900 – 1950



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

which has exceeded its useful life that was on Eighth Street, Seventh Street, Racine Street and Pleasant Lane in Menasha. Our system loss ratio was 10.16% which is similar to last year's ratio of 10.12%.

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 established an Energy Services utility several years ago 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 40 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 the Statement of Revenues, Expenses, and Changes in Net Position (Table 2) provide an indication of the Utilities' change in financial condition during the last year. The Utilities' net position reflects the difference between assets and deferred outflows and liabilities and deferred inflows. 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, 2022 AND 2021

Utility Financial Analysis

Table 1
Condensed Statement of Net Position

	2022	2021
Current and Other Assets	17,590,371	16,807,511
Net Capital Assets	40,065,752	39,496,634
Lease Receivable	866,860	-
Net Pension Asset	<u>1,466,910</u>	<u>1,170,945</u>
Total Assets	59,989,893	57,475,090
Deferred Outflows of Resources	2,969,057	2,034,880
Long Term Debt Outstanding	11,880,875	12,957,536
Other Liabilities	<u>8,701,317</u>	<u>8,553,094</u>
Total Liabilities	20,582,192	21,510,630
Deferred Inflows of Resources	4,373,973	2,626,482
Invested in Capital Assets, Net of Related Debt	25,915,402	24,457,419
Restricted for Pension Benefits	1,466,910	1,170,945
Restricted for Debt Service	252,680	354,668
Restricted for Depreciation	2,754,730	2,443,143
Restricted for Lead Service Lateral Replacement	15,201	2,869
Restricted for Water Tower	158,074	133,357
Unrestricted	<u>7,439,788</u>	<u>6,810,457</u>
Total Net Position	38,002,785	35,372,858

Above is a condensed version of the financial statements for the utility. Net capital assets have increased mainly due to larger projects completed for the overhead replacement projects in Electric and water main replacement projects in Water. Long term debt outstanding has decreased due to paying off existing debt and taking out favorable new debt for capital projects. The specifics for Electric can be found on Table 3 and for Water on Table 4.



MENASHA UTILITIES
 MANAGEMENT DISCUSSION AND ANALYSIS
 DECEMBER 31, 2022 AND 2021

Table 2
Condensed Statement of Revenues,
Expenses and Changes in Net Position

	2022	2021
Operating Revenue	51,014,594	44,817,319
Non-Operating Revenue	<u>271,723</u>	<u>283,079</u>
Total Revenues	51,286,317	45,100,398
Depreciation Expense	2,390,916	2,323,618
Other Operating Expenses	45,156,609	39,261,215
Non-Operating Expenses	<u>81,139</u>	<u>273,643</u>
Total Expenses	47,628,664	41,858,476
Income before Contributions and Payments to Primary Government	3,657,653	3,241,922
Customer Contributions	399,839	539,965
Payments to Primary Government	<u>(1,427,565)</u>	<u>(1,458,197)</u>
Change in Net Position	2,629,927	2,323,690
Beginning Net Position	<u>35,372,858</u>	<u>33,049,168</u>
Ending Net Position	38,002,785	35,372,858

Above is the Condensed Statement of Revenues, Expenses and Changes in Net Position for the utility. There is an increase in revenues in 2022 mainly due to the Electric utility. Water utility revenues also increased slightly. Depreciation increased steadily due to the net effect of large projects in both the Electric and Water utility completed. Customer contributions are larger in 2021 than 2022 due to WI DOT projects that we were required to complete for upgrades taking place in Menasha around the Racine Street Bridge area. In 2022 customer contributions also include two new subdivisions on the city's east side. The specifics for Electric can be found on Table 5 and for Water on Table 6.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

Table 3
Condensed Statement of Net Position – Electric Utility

	2022	2021
Current and Other Assets	13,549,809	12,946,822
Net Capital Assets	17,032,724	16,887,915
Lease Receivable	866,860	-
Net Pension Asset	<u>912,856</u>	<u>727,825</u>
Total Assets	32,362,249	30,562,562
Deferred Outflows of Resources	1,846,638	1,266,200
Long Term Debt Outstanding	5,645,000	6,555,000
Other Liabilities	<u>6,060,331</u>	<u>6,014,297</u>
Total Liabilities	11,705,331	12,569,297
Deferred Inflows of Resources	3,049,350	1,632,779
Invested in Capital Assets, Net of Related Debt	10,470,166	9,400,794
Restricted for Pension Benefits	912,856	727,825
Restricted for Debt Service	252,680	354,668
Restricted for Depreciation	1,230,840	925,648
Unrestricted	<u>6,587,664</u>	<u>6,217,751</u>
Total Net Position	19,454,206	17,626,686

In Current and Other Assets, Customer Accounts Receivable decreased by \$237,447, or 6.5% from 2021. Compared to the previous year, there was less consumption in December as well as pass-through rates for the PCAC, DCA and ECA due to the cost of power. Other Accounts Receivable decreased by 43.4% because the WI DOT paid MU \$482,861 for a partial billing of the Racine Street bridge project. Inventory and prepaids increased by 22.4%, or \$141,850 due to more kept in inventory for a large subdivision project taking place in 2023. Restricted cash and investments increased by \$281,965 due to more transferred to the Depreciation fund in 2022 since many capital projects were funded out of operations.

The specifics on the increases in the Capital Assets can be found on the Capital Assets Schedule – Table 9. The Deferred Outflows and Inflows of Resources are for pension activity with the Wisconsin Retirement System (WRS), Other Postemployment Related Amounts (LRLIF), and Leases. More details on this information can be found under Note 2-F – Pension Plan, Note 2-G – Other Postemployment Benefits, and Note 2-E – Leases Receivable in the audit detail. In 2022, it stayed as a Net Pension Asset which is included as its own line item under Assets.

Unearned revenue increased by \$229,252 since we collected a deposit for the new subdivision Woodland Lakes Cottages on the east side of the city. Accounts Payable decreased by 6.9%, or \$251,866 because the amount due to WPPI Energy was lower.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

Table 4
Condensed Statement of Net Position – Water Utility

	2022	2021
Current and Other Assets	4,105,993	4,049,127
Net Capital Assets	22,736,415	22,286,522
Net Pension Asset	554,054	443,120
Total Assets	27,396,462	26,778,769
Deferred Outflows of Resources	1,122,419	768,680
Long Term Debt Outstanding	6,385,551	6,598,316
Other Liabilities	2,622,789	2,519,329
Total Liabilities	9,008,340	9,117,645
Deferred Inflows of Resources	1,324,623	993,703
Invested in Capital Assets, Net of Related Debt	15,148,623	14,734,429
Restricted for Pension	554,054	443,120
Restricted	1,536,832	1,518,743
Unrestricted	946,409	739,809
Total Net Position	18,185,918	17,436,101

In Current and Other Assets, Customer Accounts Receivable balances in total increased by \$23,623 due to more lead service loans taken out by customers during the year. The total outstanding for all loans at the end of 2022 is \$174,718 which includes 103 new customer loans taken in 2022. Capital projects were funded through funds from operations and the Depreciation fund except for the large main replacement project that we borrowed from the Safe Drinking Water Loan Fund. We also took out a 0% interest loan with WPPI Energy for the purchase of water meters. In addition, we continued transferring a monthly payment into the Water Utility Reserve fund for future painting of the water tower on Doty Island and maintenance to be completed on the tower in 2023.

The specifics on the increases in the Capital Assets can be found on the Capital Assets Schedule – Table 9. Deferred Outflows and Inflows of Resources relate to pension activity with the WRS and Other Postemployment Related Amounts (LRLIF). Please see Notes 2-F and 2-G in the audit detail for specifics.

The Long-Term Debt Outstanding decreased by the net effect of the principal payments made in 2022 and the new debt taken out to fund the main replacement project and the AMI water meter purchases. Specifics about debt can be found in the Long-Term Debt Activity section. Other Liabilities increased in part by the balance in Accounts Payable. We had a large invoice outstanding at the end of 2022 for the LSL replacement contractor for work completed to replace both MU side services and the customer side, payments for chemical suppliers and AMI modules for water meters.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

Table 5
Condensed Statement of Revenues,
Expenses and Changes in Net Position
Electric Utility

	2022	2021
Operating Revenue	46,002,526	40,003,359
Non-Operating Revenue	<u>228,657</u>	<u>59,872</u>
Total Revenues	46,231,183	40,063,231
Depreciation Expense	1,285,785	1,235,146
Other Operating Expenses	42,660,546	36,895,888
Non-Operating Expenses	<u>121,776</u>	<u>142,526</u>
Total Expenses	44,068,107	38,273,560
Income before Contributions and Payments to Primary Government	2,163,076	1,789,671
Customer Contributions	343,361	517,559
Payments to Primary Government	<u>(678,917)</u>	<u>(696,696)</u>
Change in Net Position	1,827,520	1,610,534
Beginning Net Position	<u>17,626,686</u>	<u>16,016,152</u>
Ending Net Position	19,454,206	17,626,686

Total Operating Revenues for all customer classes increased 15%, or \$6 million from 2021 due to more consumption and higher pass-through rates due to the higher cost of power. Large industrial customers were the main driver for the increase in revenues with 16.8%, or \$5.1 million. Residential customers had an increase in revenues from 2021 of 10.5%, or \$788,292. The average cost of power was \$75.90/MWh which is 11.3% higher than the average for 2021 which was \$68.19/MWh. Purchased power costs have increased by \$5,658,552, or 16.4% compared to 2021.

Miscellaneous Distribution expense increased by 28% because of adding another employee in the department that had sat vacant for many years. Customer Accounts expense is lower by 5.4% mainly due to being down an employee for the majority of the year. Administrative and General expenses increased by 18.7%, or \$106,243 from 2021 because of costs related to pensions and benefits (mainly GASB 68 WRS & GASB 75 life insurance entries), more in maintenance for the Office Complex, and more spent in Outside Services. Outside Services increased by \$28,242 because we used a temp agency for part of the year to fill a customer service position as well as hired a consultant for a wage study for our employees.

The Transfers Out line item is strictly the PILOT (payment in lieu of taxes) payment to the City. The Customer Contributions decreased in 2022 by \$174,198, or 34%. The large WI DOT project completed for the Racine Street bridge was included in 2021. In 2022, we completed two subdivisions on the city's east side as well as several smaller commercial/residential upgrades.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

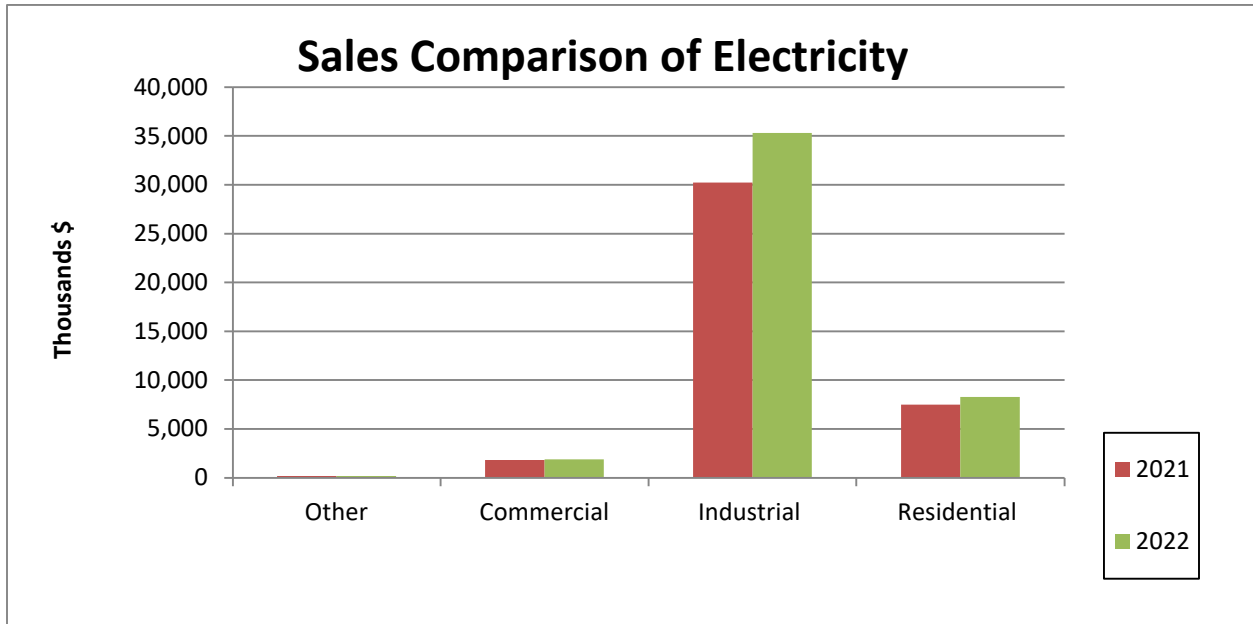
Table 6
Condensed Statement of Revenues,
Expenses and Changes in Net Position
Water Utility

	2022	2021
Operating Revenue	5,165,726	4,975,485
Non-Operating Revenue	<u>(11,326)</u>	<u>3,858</u>
Total Revenues	5,154,400	4,979,343
Depreciation Expense	1,069,811	1,053,702
Other Operating Expenses	2,475,401	2,350,308
Non-Operating Expenses	<u>177,283</u>	<u>190,374</u>
Total Expenses	3,722,494	3,594,383
Income before Contributions and Payments to Primary Government	1,431,906	1,384,960
Customer Contributions	49,013	19,127
Payments to Primary Government	<u>(731,102)</u>	<u>(743,930)</u>
Change in Net Position	749,817	660,157
Beginning Net Position	<u>17,436,101</u>	<u>16,775,944</u>
Ending Net Position	18,185,918	17,436,101

Operating Revenues for all customer classes increased by 3.8% compared to 2021. Industrial, Multi-Family, and Sales for Resale customers all took slightly more water in 2022 compared to 2021. The Resale customer revenues had the largest impact with increased revenues by 19% or \$115,057 for the year. Residential consumption decreased by 2%, or 3.4 million gallons; however, revenues increased by \$18,996 due to the simplified water rate increase that took effect 6/1/23. Non-Operating Revenues were negative for 2022 due to mark-to-market adjustments posted for our investments.

Total Operating Expenses were more in 2022 by \$128,111. Water Treatment costs increased by 5.1% compared to 2021 due to higher chemical costs and maintenance projects at the Water Plant. The average chemical cost per thousand gallons increased by 5% from \$0.3731 in 2021 to \$0.3915 in 2022. Chemical costs continue to rise due to economic conditions and supply chain issues. Transmission and Distribution expense decreased by 4.2% despite having more main breaks experienced in 2022 compared to 2021. There were fewer service leaks in 2022 compared to the prior year. Pumping expense increased by 11.1% due to higher electricity costs for the Water Plant and High Lift Pump Station.

Table 7



Revenues increased by 15%, or \$6 million from 2021. Consumption increased by 24.5 million kWh, or 4.9% compared to last year. Industrial customers increased consumption by 24.8 million kWh compared to 2021. All other customer classes remained at about the same consumption levels as the prior year. The above sales figures include much higher PCAC, ECA and DCA rates for our customers throughout the year, which is a pass-through from our power provider, WPPI Energy.

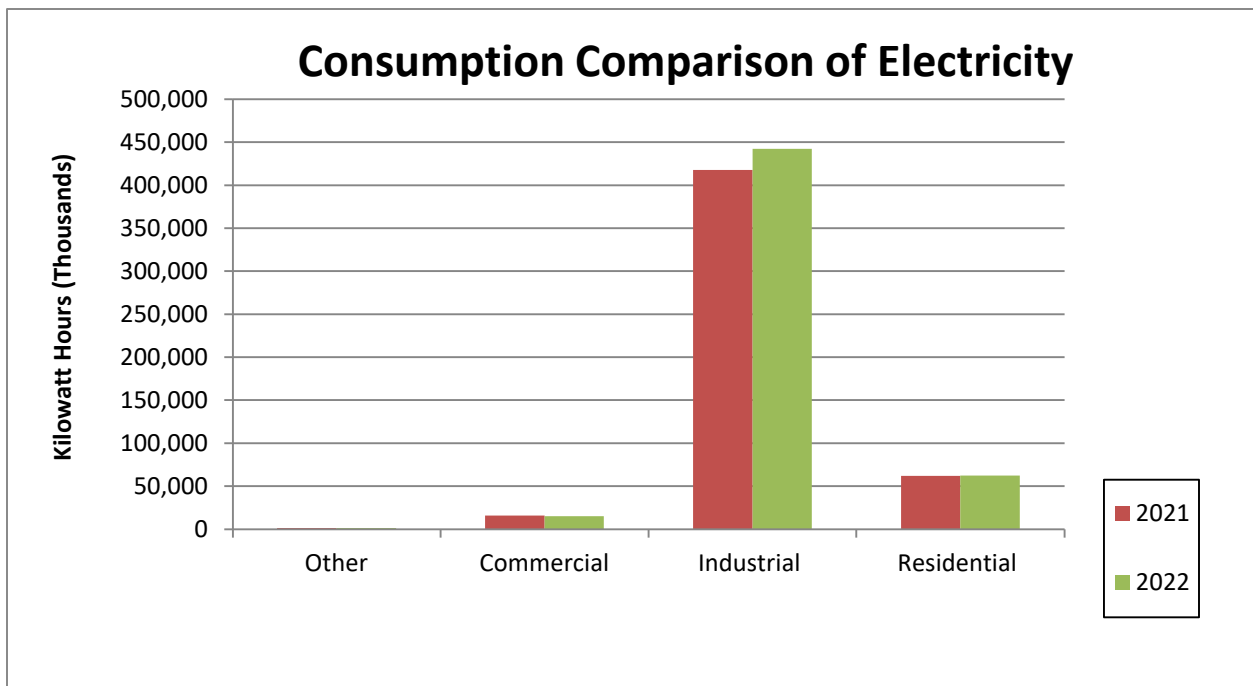
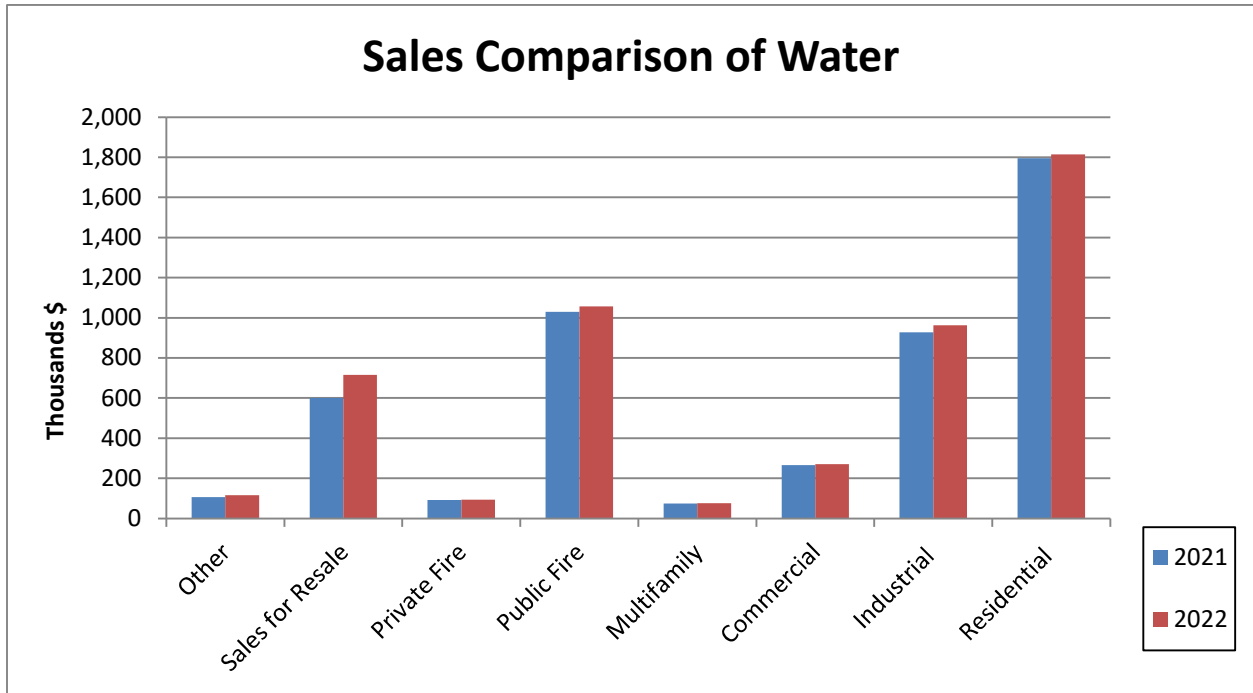
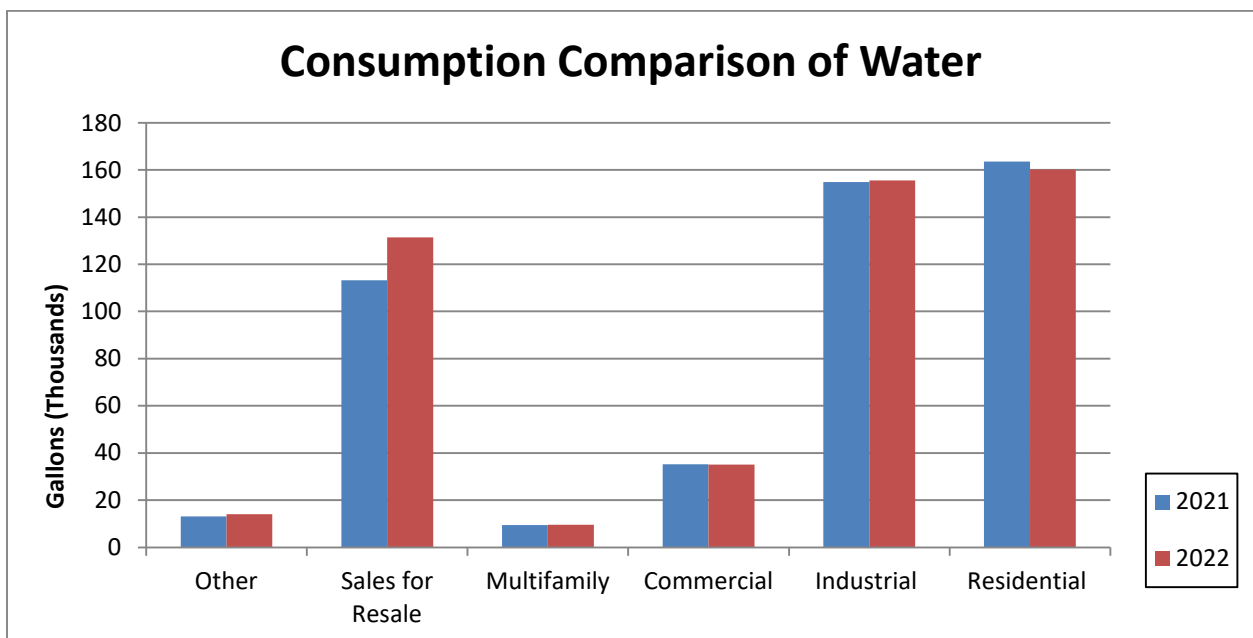


Table 8



Total Revenues increased by 4.4% from 2021 due to a slight increase in consumption as well as the simplified water rate case revenues. The Resale customer and Industrial customer class increased revenues by 19% and 4%, respectively.

For 2022, the consumption of water sold to all customers increased by 3.3%, or 16.4 million gallons. The largest increase in consumption from the prior year was the Sales for Resale customer who took 16% more, or 18.2 million gallons. Residential customers took 2%, or 3.4 million gallons less than in 2021. The Other reflects municipal water sales.





MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

Capital Asset Activity

Table 9
Capital Assets – Water and Electric Utility

	2022	2021
Capital Assets – Water		
Source of Supply	393,547	433,137
Pumping	3,172,918	3,162,768
Water Treatment	13,375,527	13,424,543
Transmission and Distribution	19,524,958	18,240,320
General Plant	1,074,250	1,038,532
Total Water Capital Assets	37,541,201	36,299,299
Less: Accumulated depreciation	(15,144,488)	(14,300,348)
Property Held for Future Use	264,947	235,161
Construction in progress	74,755	52,409
Net Capital Assets	22,736,415	22,286,522
Capital Assets – Electric		
Distribution	32,133,752	31,536,592
General Plant	5,552,135	5,496,402
Total Electric Capital Assets	37,685,888	37,032,994
Less: Accumulated depreciation	(21,175,469)	(20,511,757)
Utility Plant Acquisition Adjustment	-	-
Property Held for Future Use	36,867	16,818
Non-Utility Property	12,887	12,887
Construction in progress	472,550	336,972
Net Capital Assets	17,032,724	16,887,915

In Transmission and Distribution plant for the Water utility, water main, hydrants, valves and services were replaced on Eighth Street, Seventh Street, Pleasant Lane, and Racine Street. A total of 5,137 feet of water main was installed with those projects. In addition, a total of 26 valves, 13 hydrants and 187 services were installed in the distribution system which includes the large project, lead service lateral replacements, and other miscellaneous projects that came up during flushing and other testing. We purchased 576 AMI water meters during the year. In Pumping, security was added for some of the outbuildings of the Water Plant. Separately, in General Plant, a pickup was transferred from the Electric utility to the Water utility at net book value. Property Held for Future Use increased by a partial payment for the Caselle accounting software conversion that will take place in 2023 as well as water softener materials for a future project.

During 2022, the Electric utility completed infrastructure replacements on Manitowoc Street, First Street and the backlots by Lawndale and Meadowview. In total, we installed 66 poles, 5,247' of conduit, 21,258' of overhead wire, and 16,586' of underground cable. Additionally, bushings were replaced at Northside Substation and 29 transformers were purchased along with 1,611 AMI meters. In General Plant, we purchased a new pickup truck for the line crew, miscellaneous computer



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

equipment, a meter test bench and a transformer rated tester. Construction in progress increased due to the Tayco Substation SCADA upgrade and a large industrial customer upgrade that will both be completed in 2023.

The Electric utility had developer and customer contributions of \$327,792 with total contributed plant of \$4,080,617. The contributions include the City LED light conversion and the Lake Park Heights and Woodland Heights subdivisions. There were six commercial upgrades/developments and several residential service upgrades.

The Water utility had customer contributions of \$49,013 during the year and their contributed plant totaled \$1,570,224. Contractors paid for two new residential and two new commercial services, along with one new valve to be installed.

Long-Term Debt Activity

The Electric utility issued Revenue Refunding Bonds, Series 2021A for \$8,385,000 with an interest rate of 1% in February 2021. This debt will be paid off in 2029. We made our second bond payment on September 1, 2022, for \$937,275 in total. The balance at year end is \$6,555,000.

The Water utility made a principal payment on March 1, 2022, for \$160,000 on the General Obligation Refunding Bonds, Series 2020B. The balance outstanding at the end of 2022 is \$1,570,000. The interest rate fluctuates between the years of 2 – 2.3% and will be paid off in 2031.

The Water utility obtained financing for the large water main project again from the Safe Drinking Water Loan fund in 2022. The balance as of December 31, 2022, for this project was \$914,316 in which the project has not been closed out yet and a small amount of \$18,636 will be added to it in 2023. The rate for the new debt is 2.145% and it will be paid off in 2042. We also utilized the WPPI Energy Loan program and took out a 10-year, 0% interest financing for \$130,350 to pay for a portion of the Water utility's AMI Meter project. We made payments from May through December that total \$8,690. The balance at year end is \$121,660. All other projects for the Water utility were funded through normal operations.

The outstanding balance at the end of 2022 for all Safe Drinking loans is \$5,761,314. This balance is made up of eight 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; the High Lift Pump modifications and River Crossing project; the 2021 main replacement project for Appleton, Lisbon, Eighth, Milwaukee and Nicolet; and most recently the 2022 main replacement project for Seventh, Eighth, Racine Streets and Pleasant Lane. The Water utility paid off \$983,401 of the principal for these loans in 2022.

The Electric utility provided Inter-company Loans to help fund various capital projects within the utility several years ago. As of December 31, 2022, the Water utility has an outstanding balance of \$149,676. The Telecommunications outstanding 2022 balance is \$148,500. This results in a total advance due to the Electric utility of \$298,176.



MENASHA UTILITIES
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

Economic Factors

The Utilities have continued with capital budgeting, strategic planning, and project and financial planning for infrastructure within the City of Menasha and our boundaries. Several regulatory factors and developments in the City were kept in mind when looking at the overall strategy. The 2023 Electric budget was approved to include the purchase of transformers, AMI meters and metering equipment, a circuit switcher replacement and a SCADA upgrade at Tayco Substation. In addition, we will continue to rebuild several aging overhead electric distribution facilities and install reclosers in the system. We also plan to replace the radiators, bushings and gang-operated disconnects at substations. In the Water utility budget, such projects include replacement of water main, water tower surveillance, and the water tower fill/drain line replacement. Facility modifications and HVAC equipment for the Water Plant are included in the budget, but they will only be completed if necessary due to the age of the plant and cash flow restrictions. Along with the Electric utility, AMI water meters are being installed. We are looking to complete the private side and utility side LSL replacement project by the middle of 2023.

The Electric utility filed a rate case with the PSC in 2020 to maintain the financial strength of the utility and meet PSC requirements documented in the last rate case. The Electric rate case went into effect on January 1, 2021, with an overall rate increase approved by the PSC for 1.58%, or \$647,661. The rate of return remains at 7%. We may be looking to file a rate case in 2023.

The current Water utility rates went into effect on June 1, 2022, with a simplified rate case which had an overall increase in customer rates of 4.5%. The rate of return remains at 4.9%. The Water utility is looking at our financial situation to see if we need to file a rate case with the PSC in 2023 due to declining revenues/consumption and higher expenses because of economic factors.

The Water utility continues to offer 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. We received a grant for the utility and City portions of the replacement through the Safe Drinking Water Loan fund again in 2022 in which we have until mid-2023 to complete the project. While completing the private side lead service change-out, we have also updated the infrastructure for the utility side to remove all the lead from our system. 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 has been funded out of the Depreciation Fund and the customer repayments will be transferred back into the fund now going forward. The total outstanding for all customer loans at the end of 2022 is \$174,718. There is a large share of customers who have paid their loan off and have a zero balance.

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
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments	\$ 6,056,366
Receivables:	
Customer Accounts	3,981,227
Other	376,748
Due from Other Governments	327,724
Prepaid Items and Supplies	1,147,051
Total Current Assets	11,889,116

Noncurrent Assets:

Restricted and Other Assets:	
Cash and Investments	5,701,255

Other Assets:

Lease Receivable	866,860
Net Pension Asset	1,466,910
Total Other Assets	2,333,770

Capital Assets:

Nondepreciable	2,060,743
Depreciable, Net	38,005,009
Total Capital Assets	40,065,752

Total Assets	59,989,893
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DEFERRED OUTFLOWS OF RESOURCES

Pension Related Amounts	2,847,677
Other Postemployment Related Amounts	121,380
Total Deferred Outflows of Resources	2,969,057

See accompanying Notes to Financial Statements.

**MENASHA UTILITIES
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022**

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 3,803,296
Accrued and Other Current Liabilities	1,865,785
Special Deposits	311,038
Unearned Revenue	788

Payable from Restricted Assets:

Current Portion of Long-Term Obligations:

General Obligation Debt	160,000
Revenue Bonds	1,967,099
Accrued Liabilities	225,158
Accrued Interest	<u>53,674</u>
Total Current Liabilities	<u>8,386,838</u>

Long-Term Liabilities, Less Current Portion:

General Obligation Debt	1,410,000
Revenue Bonds	10,470,875
Other Postemployment Benefits	<u>314,479</u>
Total Long-Term Liabilities	<u>12,195,354</u>

Total Liabilities

20,582,192

DEFERRED INFLOWS OF RESOURCES

Pension Related Amounts	3,458,112
Other Postemployment Related Amounts	49,001
Lease Related Amounts	<u>866,860</u>
Total Deferred Inflows of Resources	<u>4,373,973</u>

NET POSITION

Net Investment in Capital Assets	25,915,402
Restricted	
Pension Benefits	1,466,910
Debt Service	252,680
Depreciation	2,754,730
Lead Service Lateral Replacement	15,201
Water Tower	158,074
Unrestricted	<u>7,439,788</u>
Total Net Position	<u>\$ 38,002,785</u>

See accompanying Notes to Financial Statements.

MENASHA UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES	
Charges for Services	\$ 51,014,594
Other	271,723
Total Operating Revenues	<u>51,286,317</u>
OPERATING EXPENSES	
Operation and Maintenance	44,931,779
Depreciation	2,390,916
Taxes	224,830
Total Operating Expenses	<u>47,547,525</u>
OPERATING INCOME	3,738,792
NONOPERATING REVENUES (EXPENSES)	
Interest Income	176,455
Other Income Deductions	(158)
Merchandising and Jobbing	47,330
Interest and Fiscal Charges	(246,882)
Miscellaneous	(57,884)
Total Nonoperating Revenues (Expenses)	<u>(81,139)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND PAYMENTS TO PRIMARY GOVERNMENT	3,657,653
Capital Contributions	399,839
Payments to Primary Government	<u>(1,427,565)</u>
CHANGE IN NET POSITION	2,629,927
Net Position - Beginning of Year	<u>35,372,858</u>
NET POSITION - END OF YEAR	<u><u>\$ 38,002,785</u></u>

See accompanying Notes to Financial Statements.

**MENASHA UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 52,034,959
Cash Received from Others	3,310,919
Cash Paid for Services Provided	(3,315,332)
Cash Paid for Employee Wages and Benefits	(2,974,865)
Cash Paid to Suppliers	<u>(42,875,401)</u>
Net Cash Provided by Operating Activities	6,180,280
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to Primary Government	(1,427,565)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(2,567,328)
Disposal of Capital Assets, Including Cost of Disposal	(20,659)
Proceeds from Long Term Debt	1,059,128
Principal Paid on General Obligation Debt	(1,152,091)
Principal Paid on Revenue Bonds	(900,000)
Interest Paid on Long-Term Debt	<u>(238,921)</u>
Net Cash Used by Capital and Related Financing Activities	(3,819,871)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(4,000,000)
Interest Received	<u>236,085</u>
	(3,763,915)
 CHANGE IN CASH AND CASH EQUIVALENTS	
	(2,831,071)
Cash and Cash Equivalents - Beginning of Year	<u>10,401,847</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 7,570,776</u></u>

See accompanying Notes to Financial Statements.

**MENASHA UTILITIES
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 3,738,792
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Charged to Operations	2,390,915
Depreciation Charged to Clearing Accounts	170,168
Merchandising and Jobbing	47,172
Miscellaneous	(57,884)
Changes in Amounts Reported for Cost-Sharing, Multiple-Employer Plans:	
Pension:	
Net Pension Asset	(295,965)
Deferred Outflows - Pension Related	(925,134)
Deferred Inflows - Pension Related	885,615
Other Postemployment Benefits:	
Deferred Outflows - OPEB Related	(9,043)
OPEB Liability	50,406
Deferred Inflows - OPEB Related	(4,984)
Change in Operating Assets and Liabilities	
Accounts Receivables	215,007
Lease Receivables	(866,860)
Other Receivables	242,542
Due from Other Governments	7,103
Prepaid Items and Supplies	(151,003)
Accounts Payable	(377,385)
Accrued and Other Current Liabilities	21,552
Customer Deposits	232,311
Unearned Revenue	95
Deferred Inflows- Leases	866,860
Net Cash Provided by Operating Activities	<u><u>\$ 6,180,280</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE
STATEMENT OF NET POSITION**

Cash and Cash Equivalents in Current Assets	\$ 6,056,366
Cash and Cash Equivalents in Restricted Assets	5,701,255
Less: Long-Term Cash and Investments	(4,186,845)
Total Cash and Cash Equivalents	<u><u>\$ 7,570,776</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Assets Contributed	<u><u>\$ 399,839</u></u>
Capital Assets Included in Accounts Payable	<u><u>\$ 142,376</u></u>

See accompanying Notes to Financial Statements.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 (U.S. 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, as amended.

B. Enterprise Fund Financial Statements

The Utilities are a business-type activity reported as an enterprise, a blended component unit, 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

A business-type activity 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. A business-type activity operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The accrual basis of accounting is utilized by business-type activities. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid 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 are 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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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. 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.

4. 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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

4. Capital Assets (Continued)

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

Assets	Years
Buildings and Improvements	15 to 40
Improvements Other than Buildings	18 to 77
Machinery and Equipment	4 to 17

5. 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.

6. 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.

7. 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 and revenues are deferred until the future periods to which the outflows and inflows are applicable. The Utilities recognizes deferred outflows related to pensions and other post-employment benefits. The Utilities recognize deferred inflows related to pension related amounts, other post-employment benefits, and leases receivable.

8. 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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

9. Leases

The Utility is a lessor for space usage.

Lessor

The Utility determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position and fund financial statements.

Lease receivables represent the Utilities' claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The Utility recognizes payments received for short-term leases with a lease term of 12 months or less, including options to extend, as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statement of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Utility has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

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 (revenue), 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 (revenue), information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position. Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, 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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$11,757,621 on December 31, 2022 as summarized below:

Petty Cash and Cash on Hand	\$	4,525
Deposits with Financial Institutions		7,566,151
Investments:		
Common Stock		80
U.S. Government agency securities		4,152,779
Cash Management		34,086
Total		\$ 11,757,621

Reconciliation to the basic financial statements:

Statement of Net Position:		
Cash and Investments	\$	6,056,366
Restricted and Other Cash and Investments		5,701,255
Total		\$ 11,757,621

Fair Value Measurements

The Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Utility has the following fair value measurements as of December 31, 2022:

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Fair Value Measurements (Continued)

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
US Treasuries	\$ -	\$ 921,871	\$ -
US Agencies	-	284,790	-
State and Municipal Bonds	-	1,762,934	-
Federal Home Loan Bank	-	882,402	-
Federal Home Loan Mortgage Corp.	-	300,782	-
Total	\$ -	\$ 4,152,779	\$ -

Deposits and investments of the Utility 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 Utility 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, 2022, all of the Utilities' deposits with financial institutions were either covered under federal and state depository insurance or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Utilities' name.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	AA	Not Rated
US Treasuries	\$ 921,871	\$ 921,871	\$ -	\$ -	\$ -
US Agencies	284,790	284,790	-	-	-
State and Municipal Bonds	1,762,934	-	-	1,762,934	-
Federal Home Loan Bank	882,402	-	-	882,402	-
Federal Home Loan Mortgage Corp.	300,782	-	-	300,782	-
Totals	<u>\$ 4,152,779</u>	<u>\$ 1,206,661</u>	<u>\$ -</u>	<u>\$ 2,946,118</u>	<u>\$ -</u>

Concentration of Credit Risk

The investment policy of the Utility contains no limitations on the amount that can be invested in any one issuer. At December 31, 2022, 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
US Treasuries	\$ 921,871	\$ 704,560	\$ -	\$ -	\$ 217,311
US Agencies	284,790	284,790	-	-	-
State and Municipal Bonds	1,762,934	292,364	590,866	879,704	-
Federal Home Loan Bank	882,402	295,017	587,385	-	-
Federal Home Loan Mortgage Corp.	300,782	300,782	-	-	-
Totals	<u>\$ 4,152,779</u>	<u>\$ 1,877,513</u>	<u>\$ 1,178,251</u>	<u>\$ 879,704</u>	<u>\$ 217,311</u>

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Restricted Cash and Investments

Restricted Cash and Investments on December 31, 2022 totaled \$5,701,255 and consisted of cash and investments held for the following purposes:

Segment	Amount	Purpose
Electric Utility:		
Restricted Assets:		
Debt Reserve	\$ 826,771	Resources set aside to make up potential future deficiencies in the debt service account
Debt Service	335,909	Resources accumulated for debt service payments over the next twelve months
Depreciation	1,230,840	Resources accumulated for repairs, replacements, or additions to capital assets
Postemployment Benefits	<u>214,576</u>	Resources accumulated for postemployment health benefits
Total Electric Utility	2,608,096	
Water Utility:		
Restricted Assets:		
Debt Service	867,980	Resources accumulated for debt service payments over the next twelve months
Other Assets:		
Depreciation	1,521,631	Resources accumulated for repairs, replacements, or additions to capital assets
Lead Service Lateral Replacement	15,201	Resources accumulated for replacement of private lead service laterals
Chemical Stabilization	<u>528,014</u>	Resources accumulated for painting and maintenance of the water tower
Total Water Utility	2,932,826	
Telecommunications Utility:		
Other Assets:		
Depreciation	<u>160,333</u>	Resources accumulated for repairs, replacements, or additions to capital assets water distribution plant
Total Restricted Assets	<u><u>\$ 5,701,255</u></u>	

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 1,471,253	\$ 55,450	\$ 13,264	\$ 1,513,439
Construction in Progress	389,382	308,005	150,083	547,304
Total Capital Assets, Nondepreciable	1,860,635	363,455	163,347	2,060,743
Capital Assets, Depreciable:				
Buildings and Improvements	8,983,275	43,591	42,127	8,984,739
Improvements Other than Buildings	44,012,371	2,610,329	780,286	45,842,414
Machinery and Equipment	20,239,893	242,249	161,585	20,320,557
Subtotals	73,235,539	2,896,169	983,998	75,147,710
Less Accumulated Depreciation for:				
Electric Distribution Utility	20,511,756	1,425,533	761,820	21,175,469
Energy Services Utility	157,668	8,110	-	165,778
Telecommunications Utility	629,760	27,210	-	656,970
Water Utility	14,300,347	1,100,239	256,102	15,144,484
Subtotals	35,599,531	2,561,092	1,017,922	37,142,701
Total Capital Assets, Depreciable, Net	37,636,008	335,077	(33,924)	38,005,009
Capital Assets, Net	\$ 39,496,643	\$ 698,532	\$ 129,423	40,065,752
Less: Capital Related Debt				(14,007,974)
Less: Capital Related Accounts Payable				(142,376)
Net Investment in Capital Assets				\$ 25,915,402

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

Business-Type Activities:	
Electric Distribution Utility	\$ 1,285,785
Energy Services Utility	8,110
Telecommunications Utility	27,210
Water Utility	1,069,811
Total Depreciation Expense	2,390,916
Depreciation Charged to Operating and Clearing Accounts	170,176
Total Increase in Accumulated Depreciation	\$ 2,561,092

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations

The following is a summary of changes in long-term obligations of the Utilities for the year ended December 31, 2022:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Bonds	\$ 1,730,000	\$ -	\$ 160,000	\$ 1,570,000	\$ 160,000
Revenue Bonds					
Direct Borrowing:	5,815,937	928,778	983,401	5,761,314	1,044,064
Revenue Bonds	7,455,000	130,350	908,690	6,676,660	923,035
Total Long-Term Obligations	<u>\$ 15,000,937</u>	<u>\$ 1,059,128</u>	<u>\$ 2,052,091</u>	<u>\$ 14,007,974</u>	<u>\$ 2,127,099</u>

Total interest paid during the year on long-term debt totaled \$229,921.

Safe Drinking Water Loan Program

The Utilities' outstanding revenue bonds from the Safe Drinking Loan Program of \$5,761,314 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:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
General Obligation Bonds	04/30/20	03/01/31	2.0 - 2.4%	\$ 1,870,000	<u>\$ 1,570,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$1,570,000 on December 31, 2022 are detailed below:

Year Ended December 31,	General Obligation Revenue Bonds		
	Principal	Interest	Total
2023	\$ 160,000	\$ 31,638	\$ 191,638
2024	165,000	28,387	193,387
2025	165,000	25,088	190,088
2026	170,000	21,738	191,738
2027	175,000	18,200	193,200
2028-2031	735,000	33,576	768,576
Total	<u>\$ 1,570,000</u>	<u>\$ 158,627</u>	<u>\$ 1,728,627</u>

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Legal Margin for New Debt

The Utilities' outstanding general obligation debt of \$1,570,000 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, 2022 totaled \$12,437,974 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Direct Borrowings:					
Safe Drinking Water Loan Program	04/26/06	05/01/25	2.365 %	\$ 12,061,890	\$ 2,380,424
Safe Drinking Water Loan Program	04/11/07	05/01/26	2.668	779,363	239,186
Safe Drinking Water Loan Program	04/22/09	05/01/28	2.20	678,908	343,277
Safe Drinking Water Loan Program	11/09/11	05/01/31	2.475	233,307	119,909
Safe Drinking Water Loan Program	06/13/12	05/01/32	2.20	639,000	690,085
Safe Drinking Water Loan Program	07/25/12	05/01/32	2.20	1,276,480	203,272
Safe Drinking Water Loan Program	06/23/21	05/01/41	1.485	895,150	870,844
Safe Drinking Water Loan Program	07/27/22	05/01/42	2.145	914,317	914,317
Revenue Bonds	02/17/21	09/01/29	1.000	8,385,000	6,555,000
Revenue Bonds- WPPi Note	05/27/22	05/28/32	-	130,350	121,660
Total Outstanding Revenue Bonds					<u>\$ 12,437,974</u>

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Revenue Bonds (Continued)

Annual principal and interest maturities of the outstanding revenue bonds of \$12,437,974 on December 31, 2022 are detailed below:

Year Ended December 31,	Revenue Bonds		Direct Borrowings - Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 923,035	\$ 65,550	\$ 1,044,064	\$ 112,921	\$ 1,967,099	\$ 178,471
2024	933,035	56,450	1,068,315	88,966	2,001,350	145,416
2025	938,035	47,250	1,093,133	63,858	2,031,168	111,108
2026	948,035	38,000	287,233	47,992	1,235,268	85,992
2027	958,035	28,650	239,564	42,257	1,197,599	70,907
2028-2032	1,976,485	28,850	1,080,583	140,730	3,057,068	169,580
2033-2037	-	-	478,151	65,723	478,151	65,723
2038-2042	-	-	470,271	20,633	470,271	20,633
Total	\$ 6,676,660	\$ 264,750	\$ 5,761,314	\$ 583,080	\$ 12,437,974	\$ 847,830

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 2042, 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:

	Electric Utility	Water Utility
Net Customer Revenues:		
Charges for Services	\$ 45,791,933	\$ 5,104,600
Other Income	210,593	61,126
Total Operating Revenues	46,002,526	5,165,726
Less: Operating Expenses ⁽¹⁾	42,660,546	2,475,400
Net Customer Revenues	<u>\$ 3,341,980</u>	<u>\$ 2,690,326</u>

⁽¹⁾ Excludes Depreciation Expense

Debt Service:		
Principal	\$ 910,000	\$ 1,057,099
Interest	65,550	112,921
Total Debt Service	<u>\$ 975,550</u>	<u>\$ 1,170,020</u>
Remaining Principal and Interest	<u>\$ 6,819,750</u>	<u>\$ 6,466,054</u>

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Notes Payable from Direct Borrowings- WPPI

The Utility has purchased capacity in WPPI Energy. Annual principal and interest maturities of the outstanding notes payable to WPPI of \$121,660 on December 31, 2022 are detailed below:

<u>Year Ended December 31,</u>	Notes Payable from Direct Borrowings- WPPI		
	Principal	Interest	Total
2023	\$ 13,035	\$ -	\$ 13,035
2024	13,035	-	13,035
2025	13,035	-	13,035
2026	13,035	-	13,035
2027	13,035	-	13,035
2028-2032	56,485	-	56,485
Total	<u>\$ 121,660</u>	<u>\$ -</u>	<u>\$ 121,660</u>

E. Leases Receivable

A summary of the Utilities lease terms and interest rates is as follows:

Cell tower lease. Monthly installments escalating from \$2,695 to \$5,905 including interest at 1.0%, due date of 2043.

For the year ended, December 31, 2022, the Utility received in lease revenue \$31,097 and \$8,764 in interest on the lease receivable.

Total future minimum lease payment to be received under lease agreements are as follows:

<u>Year Ended December 31,</u>	Principal	Interest	Total
2023	\$ 23,808	\$ 8,533	\$ 32,341
2024	25,348	8,287	33,635
2025	26,955	8,025	34,980
2026	28,633	7,746	36,379
2027	30,384	7,451	37,835
2028-2032	180,954	32,165	213,119
2033-2037	237,557	21,736	259,293
2038-2042	307,315	8,155	315,470
2043	5,906	-	5,906
Total	<u>\$ 866,860</u>	<u>\$ 102,098</u>	<u>\$ 968,958</u>

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan

1. Plan Description

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

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest 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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. Plan Description (Continued)

The WRS also provides death and disability benefits for employees.

2. Postretirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2012	(7.0)%	(7.0)%
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	-	(10.0)
2020	1.7	21.0
2021	5.1	13.0

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, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2022, the WRS recognized \$204,285 in contributions from the Utilities.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

3. Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.5 %	6.5 %
Protective with Social Security	6.5	12.0
Protective without Social Security	6.5	16.4

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

At December 31, 2022, the Utilities reported an asset of \$1,466,910 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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 asset was based on the Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the Utilities' proportion was 0.01819947%, which was a decrease of 0.00055625% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the Utilities recognized pension expense (revenue) of (\$130,873).

At December 31, 2022, 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	\$ 2,369,718	\$ 170,882
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	3,281,600
Changes in Assumptions	273,674	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	5,630
Employer Contributions Subsequent to the Measurement Date	204,285	-
Total	<u>\$ 2,847,677</u>	<u>\$ 3,458,112</u>

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

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

\$204,285 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, 2022. 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>
2023	\$ (72,282)
2024	(399,215)
2025	(175,320)
2026	(167,903)
Total	<u>\$ (814,720)</u>

5. Actuarial Assumptions

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

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Postretirement Adjustments*	1.7%

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

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

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

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

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global Equities	52 %	6.8 %	4.2 %
Fixed Income	25	4.3	1.8
Inflation Sensitive Assets	19	2.7	0.2
Real Estate	7	5.6	3.0
Private Equity/Debt	12	9.7	7.0
Cash	(15)	0.9	N/A
Total Core Fund	100	6.6	4.0
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

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

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

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

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Single discount rate. A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities’ proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Utilities’ proportionate share of the net pension liability (asset) calculated using the discount rate of 6.8%, 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 one-percentage-point lower (5.8%) or one-percentage-point higher (7.8%) than the current rate:

	One Percent Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	One Percent Increase to Discount Rate (7.8%)
Utilities’ Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 1,040,877</u>	<u>\$ (1,466,910)</u>	<u>\$ (3,272,051)</u>

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

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

6. Payables to the Pension Plan

At December 31, 2022, the Utilities reported a payable of \$48,305 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2022.

G. Other Postemployment Benefits

Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Additionally, ETF issued standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

Benefits Provided

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

Contributions

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

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

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

Contribution rates as of December 31, 2022 are:

Coverage Type	Employer Contribution
50% Postretirement Coverage	40% of Member Contribution
25% Postretirement Coverage	20% of Member Contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2021 are listed below:

Life Insurance Member Contribution Rates* For the Year Ended December 31, 2020		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

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

During the year ended December 31, 2022, the LRLIF recognized \$1,234 in contributions from the employer.

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

At December 31, 2022, the Utilities reported a liability of \$314,479 for its proportionate share of the net OPEB liability (asset). The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. 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, 2021, the Utilities' proportion was 0.05320800%, which was an increase of 0.00520100% from its proportion measured as of December 31, 2020.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended December 31, 2022, the Utilities recognized OPEB expense of \$37,468.

At December 31, 2022, 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	\$ -	\$ 15,997
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	4,092	-
Changes in Assumptions	95,015	15,243
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	22,273	17,761
Total	<u>\$ 121,380</u>	<u>\$ 49,001</u>

The 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>
2023	\$ 13,793
2024	13,319
2025	12,429
2026	19,094
2027	10,880
Thereafter	2,864
Total	<u>\$ 72,379</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability:	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20-Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.17%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

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

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance 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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

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

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg US Interim Credit	45 %	1.68 %
U.S. Long Credit Bonds	Bloomberg US Long Credit	5	1.82
U.S. Mortgages	Bloomberg US	50	1.94
Inflation			2.30
Long-Term Expected Rate of Return			4.25

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

Single discount rate. A single discount rate of 2.17% was used to measure the total OPEB liability as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. 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.

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

Sensitivity of the Utilities' proportionate share of 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 2.17%, 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 one-percentage-point lower (1.17%) or one-percentage-point higher (3.17%) than the current rate:

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	One Percent Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	One Percent Increase to Discount Rate (3.17%)
Utilities' Proportionate Share of the Net OPEB Liability	\$ 426,635	\$ 314,479	\$ 230,086

Payable to the OPEB Plan

At December 31, 2022, the Utilities reported a payable of \$-0- for the outstanding amount of contribution to the plan required for the year ended December 31, 2022.

F. Deferred Compensation Plans

The Utility offers its employees a deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The Plans, available to all Utility employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to this plan are entirely from employee voluntary contributions. The Utility makes no employer contributions to this plan. The deferred compensation Plan assets are placed in trust for the sole benefit of employees and beneficiaries participating in the Plan and, therefore, are not recorded on these financial statements.

NOTE 3 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. Insurance settlements have not exceeded coverage in any of the past three years.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 OTHER INFORMATION (CONTINUED)

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.

	Electric Utility	Water Utility
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current	\$ 10,643,537	\$ 1,173,167
Restricted	2,608,096	2,932,826
Noncurrent:		
Net Capital Assets	17,032,724	22,736,415
Other Assets	2,077,892	554,054
Total Assets	32,362,249	27,396,462
Deferred Outflows of Resources	1,846,638	1,122,419
Liabilities:		
Current	5,864,519	2,653,798
Noncurrent:		
Long-Term	5,840,812	6,354,542
Total Liabilities	11,705,331	9,008,340
Deferred Inflows of Resources	3,049,350	1,324,623
Net Position:		
Net Investment in Capital Assets	10,470,166	15,148,623
Restricted:		
Pension Benefits	912,856	554,054
Debt Service	252,680	-
Depreciation Reserve	1,230,840	1,536,832
Unrestricted	6,587,664	946,409
Total Net Position	\$ 19,454,206	\$ 18,185,918

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Segment Information (Continued)

	Electric Utility	Water Utility
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating Revenues:		
Charges for Services	\$ 45,791,933	\$ 5,104,600
Other	210,593	61,126
Total Operating Revenues	46,002,526	5,165,726
Operating Expenses:		
Operation and Maintenance	42,492,862	2,418,481
Depreciation and Amortization	1,285,785	1,069,811
Taxes	167,684	56,919
Total Operating Expenses	43,946,331	3,545,211
Operating Income	2,056,195	1,620,515
Nonoperating Income (Expenses):		
Interest Revenue	187,767	(13,167)
Other Income Deductions	-	(158)
Merchandising and Jobbing	40,890	1,841
Interest and Fiscal Charges	(71,550)	(169,467)
Miscellaneous	(50,226)	(7,658)
Total Nonoperating Income (Expenses)	106,881	(188,609)
Income Before Contributions and Payments to the Primary Government	2,163,076	1,431,906
Capital Contributions	343,361	49,013
Payments to the Primary Government	(678,917)	(731,102)
Change in Net Position	1,827,520	749,817
Net Position - January 1	17,626,686	17,436,101
Net Position - December 31	\$ 19,454,206	\$ 18,185,918
	Electric Utility	Water Utility
CONDENSED STATEMENT OF CASH FLOWS		
Cash Flows from Operating Activities	\$ 3,619,745	\$ 2,466,458
Cash Flows from Noncapital Financing Activities	(585,813)	(777,206)
Cash Flows from Capital and Related Financing Activities	(2,193,973)	(1,630,553)
Cash Flows from Investing Activities	(2,781,083)	(979,555)
Change in Cash and Cash Equivalents	(1,941,124)	(920,856)
Cash and Cash Equivalents - January 1	7,329,266	2,895,446
Cash and Cash Equivalents - December 31	\$ 5,388,142	\$ 1,974,590

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.

**MENASHA UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 OTHER INFORMATION (CONTINUED)

D. Significant Customers

During 2022, the electric utility billed one customer \$19,783,455, and one customer \$5,374,218. This represents 43% and 12% of electric utility operating revenue, respectively. In addition, the water utility billed one customer \$760,572 which represents 15% of water utility operating revenue. No other utility customer accounted for more than 10% of operating revenue.

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 35-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 35-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 \$40 million in 2022.

REQUIRED SUPPLEMENTARY INFORMATION

MENASHA UTILITIES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF CONTRIBUTIONS – WISCONSIN RETIREMENT SYSTEM
LAST MEASUREMENT PERIODS

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

Measurement Period 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
12/31/19	0.01942678	(626,408)	2,982,961	21.00	102.96
12/31/20	0.01875572	(1,170,945)	3,130,941	37.40	105.26
12/31/21	0.01819947	(1,466,910)	2,980,883	49.21	106.02

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT PERIODS

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	-	2,982,961	6.55
12/31/20	211,339	211,339	-	3,130,942	6.75
12/31/21	201,210	201,210	-	2,980,884	6.75
12/31/22	204,285	204,285	-	3,142,848	6.50

See accompanying Notes to Required Supplementary Information.

MENASHA UTILITIES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF CONTRIBUTIONS – LOCAL RETIREE LIFE INSURANCE FUND
LAST TEN MEASUREMENT PERIODS

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

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
12/31/19	0.04595100	195,668	2,539,000	7.71	37.58
12/31/20	0.04800700	264,073	2,604,000	10.14	31.36
12/31/21	0.05320800	314,479	2,691,000	11.69	29.57

SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 MEASUREMENT PERIODS

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	-	2,539,000	0.04
12/31/20	957	957	-	2,604,000	0.04
12/31/21	1,075	1,075	-	2,691,000	0.04
12/31/22	1,234	1,234	-	3,142,848	0.04

See accompanying Notes to Required Supplementary Information.

**MENASHA UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions:

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

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

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

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

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

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS

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

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

**MENASHA UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

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

SUPPLEMENTARY INFORMATION

**MENASHA UTILITIES
ELECTRIC DISTRIBUTION UTILITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments	\$ 6,008,162
Receivables:	
Customer Accounts	3,392,530
Other	300,427
Due from Other Governments	166,559
Prepaid Items and Supplies	<u>775,859</u>
Total Current Assets	10,643,537

Noncurrent Assets:

Restricted and Other Assets:	
Cash and Investments	2,608,096

Other Assets:

Advance to Other Funds	298,176
Lease Receivable	866,860
Net Pension Asset	<u>912,856</u>
Total Other Assets	2,077,892

Capital Assets:

Nondepreciable	1,070,591
Depreciable, Net	<u>15,962,133</u>
Total Capital Assets	17,032,724

Total Assets	32,362,249
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DEFERRED OUTFLOWS OF RESOURCES

Pension Related Amounts	1,771,060
Other Postemployment Related Amounts	<u>75,578</u>
Total Deferred Outflows of Resources	1,846,638

**MENASHA UTILITIES
ELECTRIC DISTRIBUTION UTILITY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022**

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 3,412,606
Accrued and Other Current Liabilities	987,182
Unearned Revenue	307,723
Payable from Restricted Assets:	
Current Portion of Long-Term Obligations:	
Revenue Bonds	910,000
Accrued Liabilities	225,158
Accrued Interest	21,850
Total Current Liabilities	5,864,519

Long-Term Liabilities, Less Current Portion:

Revenue Bonds	5,645,000
Other Postemployment Benefits	195,812
Total Long-Term Liabilities	5,840,812

Total Liabilities	11,705,331
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DEFERRED INFLOWS OF RESOURCES

Pension Related Amounts	2,151,979
Other Postemployment Related Amounts	30,511
Lease Related Amounts	866,860
Total Deferred Inflows of Resources	3,049,350

NET POSITION

Net Investment in Capital Assets	10,470,166
Restricted	
Pension Benefits	912,856
Debt Service	252,680
Depreciation	1,230,840
Unrestricted	6,587,664
Total Net Position	\$ 19,454,206

**MENASHA UTILITIES
ELECTRIC DISTRIBUTION UTILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

OPERATING REVENUES

Charges for Services:	
Residential	\$ 8,283,906
Small Commercial and Industrial	1,889,479
Large Commercial and Industrial	35,305,010
Public Street and Highway	169,406
Other Sales to Public Authorities	2,956
Interdepartmental Sales	141,176
Total Charges for Services	<u>45,791,933</u>
Other	<u>210,593</u>
Total Operating Revenues	<u>46,002,526</u>

OPERATING EXPENSES

Operation and Maintenance:	
Purchased Power	40,117,414
Distribution:	
Operation Supervision and Engineering	83,361
Load Dispatching	217,409
Station	42,298
Overhead Line	98,106
Underground Line	63,405
Street Lighting and Signal System	1,215
Meter	127,285
Customer Installations	204
Rents	10,412
Maintenance Supervision and Engineering	93,082
Maintenance	328,161
Miscellaneous	315,329
Total Distribution	<u>1,380,267</u>
Customer Accounts:	
Supervision	26,161
Meter Reading	38,597
Customer Records and Collection	255,925
Total Customer Accounts	<u>320,683</u>

**MENASHA UTILITIES
ELECTRIC DISTRIBUTION UTILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

OPERATING EXPENSES (CONTINUED)

Operation and Maintenance (Continued)

Administrative and General:

Salaries	\$ 244,451
Office Supplies	34,155
Outside Services Employed	59,265
Property Insurance	20,883
Injuries and Damages	20,563
Employee Pensions and Benefits	163,534
Regulatory Commission	7,325
Rents	2,642
Maintenance	62,983
Miscellaneous	58,697
Total Administrative and General	674,498

Total Operation and Maintenance 42,492,862

Depreciation 1,285,785

Taxes 167,684

Total Operating Expenses 43,946,331

OPERATING INCOME 2,056,195

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	187,767
Merchandising and Jobbing	40,890
Interest and Fiscal Charges	(71,550)
Miscellaneous	(50,226)
Total Nonoperating Revenues (Expenses)	106,881

**INCOME BEFORE CAPITAL CONTRIBUTIONS AND
PAYMENTS TO PRIMARY GOVERNMENT** 2,163,076

Capital Contributions 343,361

Payments to Primary Government (678,917)

CHANGE IN NET POSITION 1,827,520

Net Position - Beginning of Year 17,626,686

NET POSITION - END OF YEAR \$ 19,454,206

**MENASHA UTILITIES
ELECTRIC DISTRIBUTION UTILITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 46,751,920
Cash Received from Others	1,747,563
Cash Paid for Services Provided	(1,753,330)
Cash Paid for Employee Wages and Benefits	(1,641,844)
Cash Paid to Suppliers	(41,484,564)
Net Cash Provided by Operating Activities	<u>3,619,745</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payments to Primary Government	(585,813)
Net Cash Used by Noncapital Financing Activities	<u>(585,813)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(1,190,944)
Disposal of Capital Assets, Including Cost of Disposal	(28,479)
Principal Paid on Revenue Bonds	(900,000)
Interest Paid on Long-Term Debt	(74,550)
Net Cash Used by Capital and Related Financing Activities	<u>(2,193,973)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(2,997,000)
Interest Received	215,917
Net Cash Used by Investing Activities	<u>(2,781,083)</u>

CHANGE IN CASH AND CASH EQUIVALENTS

	(1,941,124)
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Cash and Cash Equivalents - Beginning of Year	<u>7,329,266</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,388,142</u></u>
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**MENASHA UTILITIES
ELECTRIC DISTRIBUTION UTILITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 2,056,195
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,285,785
Depreciation Charged to Clearing Accounts	139,748
Merchandising and Jobbing	40,890
Miscellaneous	(50,226)
Changes in Amounts Reported for Cost-Sharing, Multiple-Employer Plans:	
Pension:	
Net Pension Asset	(185,031)
Deferred Outflows - Pension Related	(575,176)
Deferred Inflows - Pension Related	552,991
Other Postemployment Benefits:	
Deferred Outflows - OPEB Related	(5,262)
OPEB Liability	30,519
Deferred Inflows - OPEB Related	(3,280)
Change in Operating Assets and Liabilities:	
Accounts Receivables	237,447
Lease Receivables	(866,860)
Other Receivables	229,851
Due from Other Governments	6,187
Inventories and Prepaid Items	(141,850)
Accounts Payable	(259,424)
Accrued and Other Current Liabilities	31,129
Customer Deposits	229,252
Deferred Inflows- Leases	866,860
Net Cash Provided by Operating Activities	<u><u>\$ 3,619,745</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and Cash Equivalents in Current Assets	\$ 6,008,162
Cash and Cash Equivalents in Restricted Assets	2,608,096
Less: Long-Term Cash and Investments	<u>(3,228,116)</u>
Total Cash and Cash Equivalents	<u><u>\$ 5,388,142</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Assets Contributed	<u><u>\$ 327,792</u></u>
Capital Assets Included in Accounts Payable	<u><u>\$ 7,558</u></u>

**MENASHA UTILITIES
ENERGY SERVICES UTILITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments \$ 47,615

Capital Assets:

Depreciable, Net 36,965

Total Assets 84,580

NET POSITION

Net Investment in Capital Assets 36,965

Unrestricted 47,615

Total Net Position \$ 84,580

**MENASHA UTILITIES
ENERGY SERVICES UTILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

OPERATING REVENUES

Charges for Services:

Other Sales to Public Authorities \$ 12,968

OPERATING EXPENSES

Operation and Maintenance:

Maintenance 7,108

Property Insurance 316

Total Operation and Maintenance 7,424

Depreciation 8,110

Total Operating Expenses 15,534

CHANGE IN NET POSITION

(2,566)

Net Position - Beginning of Year

87,146

NET POSITION - END OF YEAR

\$ 84,580

**MENASHA UTILITIES
ENERGY SERVICES UTILITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 12,967
Cash Paid for Employee Wages and Benefits	(3,626)
Cash Paid to Suppliers	(3,798)
Net Cash Provided by Operating Activities	<u>5,543</u>

CHANGE IN CASH AND CASH EQUIVALENTS

5,543

Cash and Cash Equivalents - Beginning of Year

42,072

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 47,615

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (2,566)
Adjustments to Reconcile to Operating Loss	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization	8,109
Net Cash Provided by Operating Activities	<u><u>\$ 5,543</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION

Cash and Cash Equivalents in Current Assets	<u><u>\$ 47,615</u></u>
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NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

**MENASHA UTILITIES
TELECOMMUNICATIONS UTILITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments	\$ 96
Receivables:	
Customer Accounts	3,475
Prepaid Items and Supplies	21,226
Total Current Assets	24,797

Noncurrent Assets:

Restricted and Other Assets:	
Cash and Investments	160,333

Capital Assets:

Nondepreciable	11,873
Depreciable, Net	247,774
Total Capital Assets	259,647

Total Assets	444,777
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LIABILITIES

Current Liabilities:

Accounts Payable	23
Accrued and Other Current Liabilities	18,173
Advance from Other Funds	148,500
Total Current Liabilities	166,696

NET POSITION

Net Investment in Capital Assets	259,647
Restricted	
Depreciation	160,333
Unrestricted	(141,899)
Total Net Position	\$ 278,081

**MENASHA UTILITIES
TELECOMMUNICATIONS UTILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

OPERATING REVENUES

Charges for Services:	
Local Service Revenues	\$ 105,093
Other	4
Total Operating Revenues	<u>105,097</u>

OPERATING EXPENSES

Operation and Maintenance:	
Distribution:	
Line Expense	2,763
Miscellaneous	8,803
Total Distribution	<u>11,566</u>
Administrative and General:	
Salaries	1,244
Office Supplies and Expense	116
Outside Services Employed	64
Property Insurance	6
Injuries and Damages	16
Total Administrative and General	<u>1,446</u>
Total Operation and Maintenance	13,012
Depreciation	27,210
Taxes	227
Total Operating Expenses	<u>40,449</u>

OPERATING INCOME 64,648

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	1,855
Merchandising and Jobbing	4,599
Interest and Fiscal Charges	(5,865)
Total Nonoperating Revenues (Expenses)	<u>589</u>

INCOME BEFORE CAPITAL CONTRIBUTIONS AND PAYMENTS TO PRIMARY GOVERNMENT 65,237

Capital Contributions	7,465
Payments to Primary Government	<u>(17,546)</u>

CHANGE IN NET POSITION 55,156

Net Position - Beginning of Year	<u>222,925</u>
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NET POSITION - END OF YEAR \$ 278,081

**MENASHA UTILITIES
TELECOMMUNICATIONS UTILITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 106,280
Cash Paid for Employee Wages and Benefits	(1,698)
Cash Paid to Suppliers	(8,391)
Net Cash Provided by Operating Activities	96,191

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payments to Primary Government	(64,546)
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(2,442)
Sale of Capital Asset	173
Interest Paid on Interfund Advances	(5,865)
Net Cash Used by Capital and Related Financing Activities	(8,134)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	1,855
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CHANGE IN CASH AND CASH EQUIVALENTS

25,366

Cash and Cash Equivalents - Beginning of Year

135,063

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 160,429

**MENASHA UTILITIES
TELECOMMUNICATIONS UTILITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 64,648
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	27,210
Merchandising and Jobbing	4,599
Change in Operating Assets and Liabilities:	
Accounts Receivables	1,183
Accounts Payable	(920)
Accrued and Other Current Liabilities	(353)
Prepaid Items and Supplies	(176)
Net Cash Provided by Operating Activities	<u>\$ 96,191</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and Cash Equivalents in Current Assets	\$ 96
Cash and Cash Equivalents in Restricted Assets	160,333
Total Cash and Cash Equivalents	<u>\$ 160,429</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

**MENASHA UTILITIES
WATER UTILITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments	\$	493
Receivables:		
Customer Accounts		585,222
Other		76,321
Due from Other Governments		161,165
Prepaid Items and Supplies		349,966
Total Current Assets		1,173,167

Noncurrent Assets:

Restricted and Other Assets:		
Cash and Investments		2,932,826

Other Assets:

Net Pension Asset		554,054
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Capital Assets:

Nondepreciable		978,279
Depreciable, Net		21,758,136
Total Capital Assets		22,736,415

Total Assets		27,396,462
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DEFERRED OUTFLOWS OF RESOURCES

Pension Related Amounts		1,076,617
Other Postemployment Related Amounts		45,802
Total Deferred Outflows of Resources		1,122,419

**MENASHA UTILITIES
WATER UTILITY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022**

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 390,666
Accrued and Other Current Liabilities	860,430
Advance from Other Funds	149,676
Special Deposits	4,103
Payable from Restricted Assets:	
Current Portion of Long-Term Obligations:	
General Obligation Debt	160,000
Revenue Bonds	1,057,099
Accrued Interest	31,824
Total Current Liabilities	2,653,798

Long-Term Liabilities, Less Current Portion:

General Obligation Debt	1,410,000
Revenue Bonds	4,825,875
Unfunded Pension Liability	118,667
Total Long-Term Liabilities	6,354,542

Total Liabilities	9,008,340
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DEFERRED INFLOWS OF RESOURCES

Pension Related Amounts	1,306,133
Other Postemployment Related Amounts	18,490
Total Deferred Inflows of Resources	1,324,623

NET POSITION

Net Investment in Capital Assets	15,148,623
Restricted	
Pension Benefits	554,054
Depreciation Fund	1,363,557
Lead Service Lateral Replacement	15,201
Water Tower	158,074
Unrestricted	946,409
Total Net Position	\$ 18,185,918

**MENASHA UTILITIES
WATER UTILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

OPERATING REVENUES

Charges for Services:

Metered Sales to General Customers:

Residential	\$ 1,814,344
Multi-Family	75,618
Commercial	270,981
Industrial	<u>962,389</u>

Total Metered Sales to General Customers 3,123,332

Private Fire Protection 93,846

Public Fire Protection 1,057,456

Other Sales to Public Authorities 115,108

Sales for Resale 714,858

Total Charges for Services 5,104,600

Other 61,126

Total Operating Revenues 5,165,726

OPERATING EXPENSES

Operation and Maintenance:

Source of Supply:

Operation Supervision and Engineering 14,894

Operation Labor and Expenses 44,767

Maintenance 3,559

Total Source of Supply 63,220

Pumping:

Operation Supervision and Engineering 5,469

Fuel for Power Purchased 143,076

Pumping Labor and Expenses 145,040

Maintenance Supervision and Engineering 5,469

Miscellaneous 11,927

Total Pumping 310,981

Water Treatment:

Operation Supervision and Engineering 59,300

Chemicals 239,735

Operation Labor and Expenses 427,458

Maintenance Supervision and Engineering 22,372

Maintenance 184,325

Miscellaneous 102,221

Total Water Treatment 1,035,411

Transmission and Distribution:

Operation Supervision and Engineering 19,885

Storage Facilities 6,352

Transmission and Distribution Lines 62,061

Meter 4,112

Customer Installations 72,060

Maintenance Supervision and Engineering 14,914

Maintenance 176,287

Miscellaneous 68,996

Total Transmission and Distribution 424,667

**MENASHA UTILITIES
WATER UTILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

OPERATING EXPENSES (CONTINUED)

Operation and Maintenance (Continued):

Customer Accounts:

Supervision	\$ 8,293
Meter Reading	7,636
Customer Records and Collection	78,358
Total Customer Accounts	94,287

Administrative and General:

Salaries	113,611
Office Supplies and Expenses	35,557
Outside Services Employed	25,718
Property Insurance	30,111
Injuries and Damages	17,062
Employee Pensions and Benefits	232,233
Regulatory Commission	159
Rents	1,401
Maintenance	21,465
Miscellaneous	12,598
Total Administrative and General	489,915

Total Operation and Maintenance 2,418,481

Depreciation 1,069,811

Taxes 56,919

Total Operating Expenses 3,545,211

OPERATING INCOME 1,620,515

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	(13,167)
Other Income Deductions	(158)
Merchandising and Jobbing	1,841
Interest and Fiscal Charges	(169,467)
Miscellaneous	(7,658)
Total Nonoperating Revenues (Expenses)	(188,609)

INCOME BEFORE CAPITAL CONTRIBUTIONS AND PAYMENTS TO PRIMARY GOVERNMENT 1,431,906

Capital Contributions 49,013

Payments to Primary Government (731,102)

CHANGE IN NET POSITION 749,817

Net Position - Beginning of Year 17,436,101

NET POSITION - END OF YEAR \$ 18,185,918

**MENASHA UTILITIES
WATER UTILITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 5,159,192
Cash Received from Others	1,563,356
Cash Paid for Services Provided	(1,562,002)
Cash Paid for Employee Wages and Benefits	(1,327,697)
Cash Paid to Suppliers	<u>(1,366,391)</u>
Net Cash Provided by Operating Activities	2,466,458

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payments to Primary Government	<u>(777,206)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(1,373,942)
Sale of Capital Assets	7,649
Proceeds from General Obligation Refunding Bonds	1,059,128
Principal Paid on General Obligation Debt	(1,152,091)
Interest Paid on Long-Term Debt	<u>(171,297)</u>
Net Cash Used by Capital and Related Financing Activities	(1,630,553)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(1,003,000)
Interest Received	31,104
Miscellaneous	<u>(7,659)</u>
Net Cash Used by Investing Activities	<u>(979,555)</u>

CHANGE IN CASH AND CASH EQUIVALENTS

(920,856)

Cash and Cash Equivalents - Beginning of Year

2,895,446

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,974,590

**MENASHA UTILITIES
WATER UTILITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 1,620,515
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,069,811
Depreciation Charged to Clearing Accounts	30,420
Merchandising and Jobbing	1,683
Changes in Amounts Reported for Cost-Sharing, Multiple-Employer Plans:	
Pension:	
Net Pension Asset	(110,934)
Deferred Outflows - Pension Related	(349,958)
Deferred Inflows - Pension Related	332,624
Other Postemployment Benefits:	
Deferred Outflows - OPEB Related	(3,781)
OPEB Liability	19,887
Deferred Inflows - OPEB Related	(1,704)
Change in Operating Assets and Liabilities:	
Accounts Receivables	(23,623)
Other Receivables	12,691
Due from Other Governments	916
Prepaid Items and Supplies	(8,977)
Accounts Payable	(117,041)
Accrued and Other Current Liabilities	(9,224)
Customer Deposits	3,153
Net Cash Provided by Operating Activities	<u>\$ 2,466,458</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and Cash Equivalents in Current Assets	\$ 493
Cash and Cash Equivalents in Restricted Assets	2,932,826
Less: Long-Term Cash and Investments	(958,729)
Total Cash and Cash Equivalents	<u>\$ 1,974,590</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Assets included in Accounts Payable	<u>\$ 134,818</u>
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**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***

Board of Commissioners
Electric and Water Utilities Commission
Menasha Utilities
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), a component unit of the City of Menasha, Wisconsin, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Utilities' financial statements, and have issued our report thereon dated April 10, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

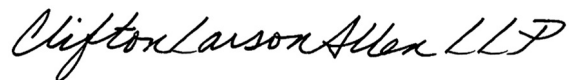
Board of Commissioners
Electric and Water Utilities Commission
Menasha Utilities

Report on 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 of financial statements. 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 compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 10, 2023



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