

**MANITOWOC PUBLIC UTILITIES**

**Annual Financial Report**

**For the Year Ended**

**December 31, 2022**

# MANITOWOC PUBLIC UTILITIES

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December 31, 2022

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## **INDEPENDENT AUDITORS' REPORT**

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## **Independent Auditors' Report**

To the Utilities Commission  
Manitowoc Public Utilities  
Manitowoc, Wisconsin

### **Opinion**

We have audited the accompanying financial statements of Manitowoc Public Utilities (MPU), a component unit of the City of Manitowoc, Wisconsin, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Manitowoc Public 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 MPU, as of December 31, 2022, and the changes in its 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. 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 MPU, 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, the financial statements present only MPU and do not purport to, and do not, present fairly the financial position of the City of Manitowoc, Wisconsin as of December 31, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **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.

### **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 generally accepted 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.

To the Utilities Commission  
Manitowoc Public Utilities  
Manitowoc, Wisconsin

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 generally accepted 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 Manitowoc Public 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.

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, schedules of employer's proportionate share of net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedules of employer's proportionate share of net OPEB liability and employer contributions – other post-employment benefits other than pensions – cost sharing plan, and schedule of changes in total OPEB liability and related ratios – other post-employment benefits – single-employer plan 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

#### **Prior Year Summarized Information**

We previously audited MPU's 2021 financial statements and we expressed an unmodified opinion on those financial statements in our report dated April 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*KerberRose SC*

**KerberRose S.C.**  
**Certified Public Accountants**  
Green Bay, Wisconsin  
April 3, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

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The management of Manitowoc Public Utilities ("MPU") offers all parties interested in the financial position of MPU an objective, easy to read overview and analysis of MPU's financial performance during the year ending December 31, 2022. Please read this narrative in conjunction with MPU's financial statements.

#### **Financial Highlights from 2022**

MPU and the City of Manitowoc entered into an intergovernmental agreement in 2019 transferring management and oversight of the Wastewater Treatment Facility operations to MPU from the City. In 2022, MPU and the City completed various items including a sewer rate analysis as well as financial statement analysis to prepare for the formal transition of the Wastewater Treatment Facility to MPU as of January 1, 2023.

In 2022, MPU submitted a conventional water rate case to the Public Service Commission of Wisconsin (PSCW) to increase water rates on July 12 using a requested rate of return of 4.90%. An electric rate case application to increase rates was also submitted on December 14 with a requested rate of return of 5.45%. Both rate cases will be ongoing through 2023.

Due to significant increases in the cost of fossil fuels for Lakefront 9 (Boiler 9), the MPU Commission has approved a plan to put Boiler 9 into economic suspension with the Midcontinent Independent System Operator (MISO) until a sufficient supply of lower cost fuel can be obtained to operate Boiler 9. On July 29, 2022, MPU submitted an Attachment Y Notice to MISO for suspension of operations at Lakefront 9, beginning on February 1, 2023. MISO reviewed this notice and concluded that the proposed retirement of Lakefront 9 would result in violations of specific applicable reliability standards for which mitigations are unavailable. As a result, MISO designated Lakefront 9 as a System Support Resource (SSR) Unit until such time that an appropriate alternative solution can be implemented to mitigate reliability issues. MISO filed a SSR Agreement between MPU and MISO to FERC on January 20, 2023. MPU subsequently filed a proposed Rate Schedule No. 3 which sets forth a monthly SSR payment for costs associated with the continued operation of Lakefront 9 with FERC. On March 21, 2023, FERC accepted MPU's filing, suspended it for a nominal period effective February 1, 2023 as requested, subject to refund, and will be scheduling a hearing and settlement proceedings.

#### ***Electric and Steam Utility:***

- In 2021, MPU initiated the Manitowoc Renewable Refuel Project. This project entails refueling two existing circulating fluidized bed boilers – Boilers 8 and 9 – from burning primarily fossil fuels, such as coal and petroleum coke, to burning 100% Wisconsin-recognized renewable fuel pellets. MPU has been burning this fuel since 1996, but only at a small percentage of the total fuel mix. In 2022, MPU operated Boiler 8 entirely on renewable fuel.
- MPU obtained a new tariff from the Public Service Commission of Wisconsin for a Community Solar Garden project.
- Electric Distribution replaced 3,100 feet of underground street light cable.
- Following an engineering feasibility study to ensure cost savings and payback, Electric Distribution continued the replacement of all HPS street light fixtures in the City with LED fixtures which will continue over the next two years.
- Please see the condensed statements and the presented management comments for additional detailed financial highlights.

#### ***Water Utility:***

- MPU installed approximately 455 feet of water main on North Rapids Road.
- In 2022, MPU applied for and distributed Wisconsin Department of Natural Resource (WDNR) funding to replace



# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

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privately-owned lead service lines (LSLs) which assisted over 150 customers worth over \$450,000.

- Please see the condensed statements and the presented management comments for additional detailed financial highlights.

#### ***Broadband Utility:***

- Please see the condensed statements and the presented management comments for additional financial highlights.

#### **Overview of the Financial Statements**

The electric, steam, water, and broadband utilities are self-supporting entities and separate enterprise funds of the City of Manitowoc. Manitowoc Public Utilities also provides the billing and collection functions for the City of Manitowoc Waste Water Treatment Plant Fund.

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

The Statement of Net Position (Tables 1 - 3) and the Statement of Revenues, Expenses, and Changes in Net Position (Tables 4 - 6) provide an indication of MPU's change in financial condition during the last year. MPU's net position reflects the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The Statement of Revenues, Expenses and Changes in Net Position reflect the income and expenses of MPU for the year.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

#### Utility Financial Analysis

**Table 1**

#### Condensed Statement of Net Position - Electric and Steam Utility

	2022	2021	Dollar Change	Percent Change
Current Assets	\$ 24,830,125	\$ 27,392,759	\$ (2,562,634)	-9.4%
Net Utility Plant	85,405,984	85,982,917	(576,933)	-0.7%
Other Assets	49,946,380	52,321,708	(2,375,328)	-4.5%
Total Assets	160,182,489	165,697,383	(5,514,895)	-3.3%
Deferred Outflows - Pension	6,759,118	3,820,533	2,938,585	76.9%
Deferred Outflows - OPEB	296,186	310,036	(13,850)	-4.5%
Deferred Outflows - ARO	12,133,333	12,999,999	(866,666)	-6.7%
Total Deferred Outflows	19,188,637	17,130,568	2,924,735	17.1%
Current Liabilities & Other Accrued Expenses	\$ 9,554,797	\$ 10,250,404	(695,607)	-6.8%
Long Term Liabilities	28,100,093	27,875,312	224,781	0.8%
Total Liabilities	37,654,890	38,125,716	(470,825)	-1.2%
Deferred inflows - Pension	8,129,032	5,042,450	3,086,582	61.2%
Deferred inflows - OPEB	119,299	70,583	48,716	69.0%
Total Deferred Inflows	8,248,331	5,113,033	3,135,298	61.3%
Net Investment in Capital Assets	86,049,394	86,627,033	(577,639)	-0.7%
Restricted for Pension Benefits	2,088,175	1,085,691	1,002,484	92.3%
Unrestricted	45,330,335	51,876,476	(6,546,141)	-12.6%
Total Net Position	\$ 133,467,905	\$ 139,589,200	\$ (6,121,295)	-4.4%
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 179,371,126	\$ 182,827,949	\$ (3,456,822)	-1.9%

#### Variance Explanations:

- Current and Other Assets decreased mainly due to a decrease in cash and investments of \$3,829,300.
- Current Liabilities & Other Accrued Expenses decreased due to a decrease of \$536,100 in taxes accrued for Payment in Lieu of Tax.
- Refer to the Notes to the Financial Statements for information on the deferred inflows and outflows of resources and restriction for pension benefits.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

**Table 2**

#### Condensed Statements of Net Position - Water Utility

	2022	2021	Dollar Change	Percent Change
Current Assets	\$ 6,090,944	\$ 6,179,814	\$ (88,870)	-1.4%
Net Utility Plant	44,827,390	45,596,538	(769,148)	-1.7%
Other Assets	11,047,468	11,696,823	(649,355)	-5.6%
Total Assets	61,965,802	63,473,175	(1,507,373)	-2.4%
Deferred Outflows - Pension	925,598	683,641	241,957	35.4%
Deferred Outflows - OPEB	20,877	47,761	(26,884)	-56.3%
Total Deferred Outflows of Resources	946,475	731,402	215,073	29.4%
Current Liabilities & Other Accrued Expenses	\$ 2,303,082	\$ 2,977,014	(673,933)	-22.6%
Long Term Liabilities	288,183	346,808	(58,625)	-16.9%
Total Liabilities	2,591,265	3,323,823	(732,558)	-22.0%
Deferred Inflows - Leases	1,263,381	1,351,583	(88,202)	-6.5%
Deferred inflows - Pension	1,113,794	901,629	212,165	23.5%
Deferred Inflows - OPEB	8,408	11,189	(2,781)	-24.9%
Total Deferred Inflows of Resources	2,385,583	2,264,401	209,384	9.2%
Net Investment in Capital Assets	45,307,565	46,076,713	(769,148)	-1.7%
Restricted for Pension Benefits	279,950	188,321	91,629	48.7%
Unrestricted	12,347,914	12,351,320	(3,406)	0.0%
Total Net Position	\$ 57,935,429	\$ 58,616,354	\$ (680,925)	-1.2%
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 62,912,277	\$ 64,204,578	\$ (1,204,099)	-1.9%

#### Variance Explanations:

- Current Assets increased in 2022 mainly due to an increase in Accounts Receivable of \$308,000.
- Other Assets decreased in 2022 mainly due to market adjustments on invested cash.
- Current Liabilities & Other Accrued Expenses mainly decreased due to a decrease in Accounts Payable of \$653,400.
- Long Term Liabilities decreased due to a decrease in the valuation of Other Post-Employment Benefits for life insurance.
- Refer to the Notes to the Financial Statements for information on the deferred inflows and outflows of resources as well as the increase in Other Post-Employment Benefits and Net Pension Asset.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

**Table 3**

#### Condensed Statements of Net Position – Broadband Utility

	2022	2021	Dollar Change	Percent Change
Current Assets	\$ 1,781,514	\$ 1,765,258	\$ 16,256	0.9%
Net Utility Plant	1,113,501	952,962	160,539	16.8%
Total Assets	2,895,016	2,718,220	176,795	6.5%
Current Liabilities & Other Accrued Expenses	7,315	61,537	(54,222)	-88.1%
Total Liabilities	7,315	61,537	(54,222)	-88.1%
Net Investment in Capital Assets	1,113,501	952,962	160,539	16.8%
Unrestricted	1,774,200	1,703,722	70,478	4.1%
Total Net Position	2,887,701	2,656,684	231,017	8.7%
Total Liabilities & Net Position	\$ 2,895,016	\$ 2,718,221	\$ 176,795	6.5%

#### Variance Explanations:

- Increased Net Utility Plant due to several large fiber optic projects completed throughout the City.
- Decreased Current Liabilities & Other Accrued Expenses is mainly due to the payoff of a large outstanding payable to complete groundwork for the installation of fiber to a customer near the end of 2021.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

**Table 4**

#### Condensed Statement of Revenues, Expenses and Changes in Net Position - Electric and Steam Utility

	2022	2021	Dollar Change	Percent Change
Operating Revenue	\$ 70,643,393	\$ 65,220,863	\$ 5,422,530	8.3%
Non-Operating Revenue	(328,469)	1,074,503	(1,402,972)	-130.6%
Total Revenues	<u>70,314,924</u>	<u>66,295,366</u>	<u>4,019,558</u>	6.1%
Depreciation Expense	3,659,893	3,493,302	166,591	4.8%
Other Operating Expenses	71,136,386	58,469,978	12,666,408	21.7%
Non-Operating Expenses and Transfers	<u>2,415,696</u>	<u>2,957,569</u>	<u>(541,873)</u>	-18.3%
Total Expenses and Transfers	<u>77,211,975</u>	<u>64,920,849</u>	<u>12,291,126</u>	18.9%
Income Before Capital Contributions	(6,897,051)	1,374,517	(8,271,568)	-601.8%
Capital Contributions	<u>775,752</u>	<u>1,053,298</u>	<u>(277,546)</u>	-26.4%
Change in Net Position	(6,121,299)	2,427,815	(8,549,114)	-352.1%
Beginning Net Position,	<u>139,589,204</u>	<u>137,161,389</u>	<u>2,427,815</u>	1.8%
Total Net Position - Ending	<u>\$ 133,467,905</u>	<u>\$ 139,589,204</u>	<u>\$ (6,121,299)</u>	-4.4%

#### Variance Explanations:

- Non-Operating Revenue mainly decreased due to unrealized market adjustments on invested cash.
- Other Operating Expenses increased due to substantial increases in the cost of fuel and purchased power costs.
- Non-Operating Expenses and Transfers decreased due to a decrease in Payment in Lieu of Tax (PILOT) of \$539,400.
- Capital Contributions decreased in 2022 mainly due to a large development completed in the City for \$668,000 in 2021.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

**Table 5**

#### Condensed Statement of Revenues, Expenses and Changes in Net Position - Water Utility

	2022	2021	Dollar Change	Percent Change
Operating Revenue	\$ 6,942,223	\$ 6,963,803	\$ (21,580)	-0.3%
Non-Operating Revenue	(513,739)	(86,169)	(427,570)	496.2%
Total Revenues	6,428,483	6,877,634	(449,151)	-6.5%
Depreciation Expense	2,101,576	2,059,931	41,645	2.0%
Other Operating Expenses	5,063,830	4,308,365	755,465	17.5%
Non-Operating Expenses and Transfers	856,852	958,691	(101,839)	-10.6%
Total Expenses and Transfers	8,022,258	7,326,987	695,271	9.5%
Income Before Capital Contributions	(1,593,774)	(449,353)	(1,144,421)	254.7%
Capital Contributions	912,849	267,055	645,794	241.8%
Change in Net Position	(680,925)	(182,298)	(498,627)	273.5%
Beginning Net Position	58,616,354	58,798,651	(182,297)	-0.3%
Total Net Position - Ending	<u>\$ 57,935,429</u>	<u>\$ 58,616,354</u>	<u>\$ (680,924)</u>	-1.2%

#### Variance Explanations:

- Non-Operating Revenue mainly decreased due to unrealized market adjustments on invested cash.
- Other Operating Expenses increased due to membrane replacements of \$162,000 and an increased amount of watermain breaks.
- Non-Operating Expenses and Transfers decreased due to a decrease in Payment in Lieu of Tax (PILOT) of \$115,000.
- Capital Contributions increased in 2022 due to an increased number of large projects completed including the Finished Water Pumping Station optimization and Variable Frequency Drive installation and the installation of a new watermain on South 39<sup>th</sup> Street.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

**Table 6**

#### Condensed Statement of Revenues, Expenses and Changes in Net Position - Broadband Utility

	2022	2021	Dollar Change	Percent Change
Operating Revenue	\$ 377,638	\$ 276,686	\$ 100,952	36.5%
Non-Operating Revenue	25,577	2,384	23,193	972.8%
Total Revenues	403,215	279,070	124,145	44.5%
Depreciation Expense	70,547	121,914	(51,367)	-42.1%
Other Operating Expenses	79,062	65,402	13,660	20.9%
Non-Operating Expenses and transfers	22,589	25,794	(3,205)	-12.4%
Total Expenses	172,198	213,110	(40,912)	-19.2%
Change in Net Position	231,017	65,960	165,057	250.2%
Beginning Net Position	2,656,684	2,590,724	65,960	2.5%
Total Net Position - Ending	<u>\$ 2,887,701</u>	<u>\$ 2,656,684</u>	<u>\$ 231,017</u>	8.7%

#### Variance Explanations:

- Non-Operating Revenue increased due to an increase in interest income.
- Depreciation Expense decreased due less removal expense for projects booked in 2022.

# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

#### Net Utility Plant Activity

*Table 7*

#### Net Utility Plant - Electric, Steam, Water and Broadband Utilities

##### Capital Assets - Water

	2022	2021	Dollar Change	Percent Change
Source of Supply	\$ 7,604,315	\$ 7,604,315	\$ -	0.0%
Pumping	8,635,917	8,262,832	373,085	4.5%
Water Treatment	19,953,210	19,922,859	30,351	0.2%
Transmission & Distribution	40,448,165	39,665,087	783,078	2.0%
General Plant	2,288,109	2,091,009	197,100	9.4%
Less Accumulated Depreciation	(34,318,956)	(32,291,413)	(2,027,543)	6.3%
Construction Work in Progress	216,629	341,848	(125,219)	-36.6%
Net Capital Assets	<u>\$ 44,827,390</u>	<u>\$ 45,596,538</u>	<u>\$ (769,148)</u>	-1.7%

##### Capital Assets - Electric / Steam / Broadband

	2022	2021	Dollar Change	Percent Change
Production Plant	\$ 136,008,265	\$ 137,683,118	\$ (1,674,852)	-1.2%
Distribution Plant	45,871,780	43,912,101	1,959,679	4.5%
General Plant	9,334,172	9,160,002	174,170	1.9%
Less Accumulated Depreciation	(106,269,652)	(105,111,318)	(1,158,333)	1.1%
Construction Work in Progress	1,574,920	1,291,977	282,943	21.9%
Net Capital Assets	<u>\$ 86,519,485</u>	<u>\$ 86,935,879</u>	<u>\$ (416,394)</u>	-0.5%

#### Variance Explanations:

- Increase in Water Pumping plant includes \$425,000 for the FWPS optimization and VFD installation.
- Increase in Water General Plant includes \$58,100 in security upgrades, as well as \$114,800 for a drill rig.
- Decrease in Water Construction Work in Progress is due to the closeout of the FWPS optimization and VFD installation project started in 2019.
- Increase in Distribution Plant includes closeouts for LED replacements as well as \$144,000 for storage battery replacements and cooling system upgrades at Custer and Dewey Substations.
- Increase in Electric Construction Work in Progress is due to ongoing work on the SCADA Master Upgrade as well as several ongoing pole replacement projects.

#### Long-Term Debt Activity

The Utility has no outstanding Mortgage Revenue Bonds at the end of 2022.



# Manitowoc Public Utilities

## Manitowoc, Wisconsin

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

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#### **Power Supply Cost Factors/Other Issues**

MPU attempts to minimize risk where economically practical throughout its operations. MPU's policy is to manage power supply costs in order to achieve a low risk profile. MPU has no power supply cost risk due to the PCAC rate mechanism. MPU manages power supply costs for its customers as follows:

- MPU has an agreement with Great Lakes Utilities to sell 77MW of generation capacity through December 2026. MPU and GLU mutually decided to end this agreement as of December 31, 2022. The 77MW of generation capacity will revert to MPU to be used to meet MPU's energy requirements. Energy sales are based on the MISO dispatching of the generation resources either economically or for reliability.
- MPU entered into a 10-year agreement with Great Lakes Utilities to purchase 77MW of capacity and associated energy. With the termination of the generation agreement with GLU, the purchase agreement reverts back to its original amount of 13 MWs of capacity and energy. MPU makes short-term, non-firm purchases and sales when economic to do so via participation in the MISO market, through Great Lakes Utilities, or through third party energy and/or capacity suppliers.
- The fuel and ash disposal contracts presently in place are as follows:
  - A limestone supply contract through December 31, 2023.
  - A petroleum coke supply contract through December 31, 2023.
  - An ash disposal contract through December 31, 2027.
- MPU does not buy natural gas on a forward basis.
- MPU has a paper pellet purchase agreement through December 2023.
- MPU has an approximate one-year supply of stored coal.
- The wholesale revenues are being credited back to the retail customers via credits to the PCAC rate mechanism.
- In order to have generating units available for economic dispatch, MPU attempts to keep the forced outage rate to a minimum and to manage maintenance outage times.
- MPU receives a significant portion of its renewable energy requirements through its contracted power supply purchases and using paper pellets in boilers as a fuel.

#### **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 Senior Manager - Business Services or Accounting & Customer Service Manager, Manitowoc Public Utilities, 1303 S 8<sup>th</sup> Street, Manitowoc, WI 54221.

General information relating to Manitowoc Public Utilities can be found at [www.mpu.org](http://www.mpu.org).

## **BASIC FINANCIAL STATEMENTS**

**MANITOWOC PUBLIC UTILITIES**

Statement of Net Position

As of December 31, 2022

With Summarized Comparative Information as of December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 13,765,010	\$ 15,779,618
Investments	3,786,956	6,297,603
Receivables:		
Customer Accounts Receivable, Net	8,430,536	8,397,608
Due from Other Governments	2,886	3,597
Notes Receivable - City of Manitowoc	25,555	24,932
Prepaid Supplies	3,990,851	2,978,101
Prepaid Items	2,700,792	1,856,373
<b>Total Current Assets</b>	<b>32,702,586</b>	<b>35,337,832</b>
<b>NON-CURRENT ASSETS</b>		
Other Assets:		
Investments	33,359,038	33,306,458
Notes Receivable	1,395,257	1,345,020
Notes Receivable - City of Manitowoc	917,558	921,638
Lease Receivable	1,263,381	1,351,583
Investment in ATC	15,057,727	14,255,623
Rate Stabilization Deposit	3,951,067	9,000,000
Nonutility Property	1,123,585	1,124,291
Net Pension Asset	3,926,235	2,713,917
<b>Total Other Assets</b>	<b>60,993,848</b>	<b>64,018,530</b>
Capital Assets:		
Nondepreciable		
Electric	3,315,204	3,109,841
Water	473,724	598,943
Steam	55,731	54,067
Broadband	173,886	97,969
<b>Total Capital Assets, Nondepreciable</b>	<b>4,018,545</b>	<b>3,860,820</b>
Depreciable		
Electric	182,746,311	182,411,872
Water	78,672,621	77,289,005
Steam	4,683,373	4,702,846
Broadband	1,814,633	1,670,605
<b>Total Capital Assets, Depreciable</b>	<b>267,916,938</b>	<b>266,074,328</b>
Less: Accumulated Depreciation	(140,588,608)	(137,402,728)
<b>Capital Assets Depreciable, Net</b>	<b>127,328,330</b>	<b>128,671,600</b>
<b>Total Capital Assets</b>	<b>131,346,875</b>	<b>132,532,420</b>
<b>Total Non-Current Assets</b>	<b>192,340,723</b>	<b>196,550,950</b>
<b>TOTAL ASSETS</b>	<b>225,043,309</b>	<b>231,888,782</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	7,684,716	4,504,174
Other Postemployment Related Amounts - Cost-Sharing Plan	232,305	277,462
Other Postemployment Related Amounts - Single-Employer	84,758	80,335
Asset Retirement Obligations	12,133,332	12,999,999
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,135,111</b>	<b>17,861,970</b>

See Accompanying Notes

**MANITOWOC PUBLIC UTILITIES**

Statement of Net Position

As of December 31, 2022

With Summarized Comparative Information as of December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	4,182,524	5,401,919
Accrued and Other Current Liabilities	970,654	788,458
Other Liabilities	1,000,000	1,000,000
Compensated Absences	718,916	605,887
Due to Other Governments	4,006,687	4,613,620
Customer Deposits	986,413	879,071
<b>Total Current Liabilities</b>	<b>11,865,194</b>	<b>13,288,955</b>
<b>NON-CURRENT LIABILITIES</b>		
Compensated Absences	1,459,563	1,315,185
Asset Retirement Obligations	26,000,000	26,000,000
Other Postemployment Benefits - Cost-Sharing Plan	699,832	647,792
Other Postemployment Benefits - Single-Employer	228,882	259,144
<b>Total Non-Current Liabilities</b>	<b>28,388,277</b>	<b>28,222,121</b>
<b>TOTAL LIABILITIES</b>	<b>40,253,471</b>	<b>41,511,076</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease Receivable	1,263,381	1,351,583
Pension Related Amounts	9,242,826	5,944,079
Other Postemployment Related Amounts - Cost-Sharing Plan	79,991	77,015
Other Postemployment Related Amounts - Single-Employer	47,716	4,757
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,633,914</b>	<b>7,377,434</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	132,470,460	133,656,711
Restricted for:		
Pension Benefits	2,368,125	1,274,012
Unrestricted	59,452,450	65,931,519
<b>TOTAL NET POSITION</b>	<b>\$ 194,291,035</b>	<b>\$ 200,862,242</b>

See Accompanying Notes

**MANITOWOC PUBLIC UTILITIES**

## Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2022

With Summarized Comparative Information for the Year Ended December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUES</b>		
Charges for Services:		
Electric	\$ 68,371,737	\$ 63,443,427
Water	6,942,221	6,963,803
Steam	2,271,656	1,777,436
Broadband	377,638	276,686
<b>Total Operating Revenues</b>	<b>77,963,252</b>	<b>72,461,352</b>
<b>OPERATING EXPENSES</b>		
Water Supply and Distribution	3,422,811	2,790,517
Electric Supply and Distribution	62,939,461	51,236,765
Steam Supply and Distribution	2,253,594	1,408,657
Broadband	78,918	65,179
Customer Accounts	1,115,800	1,007,545
Administrative and General	4,983,242	4,896,110
Depreciation	5,832,016	5,675,147
Amortization of Asset Retirement Obligation	866,667	866,667
Taxes	618,780	572,309
<b>Total Operating Expenses</b>	<b>82,111,289</b>	<b>68,518,896</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(4,148,037)</b>	<b>3,942,456</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	1,962,766	1,785,360
Unrealized Losses	(2,886,605)	(887,785)
Merchandising, Jobbing and Other Nonoperating Income	107,206	93,143
Interest and Fiscal Charges	(14,393)	(3,975)
Other Nonoperating Expenses	(706)	(706)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(831,732)</b>	<b>986,037</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(4,979,769)</b>	<b>4,928,493</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>1,688,601</b>	<b>1,320,353</b>
<b>TRANSFERS - TAX EQUIVALENTS</b>	<b>(3,280,039)</b>	<b>(3,937,373)</b>
<b>CHANGE IN NET POSITION</b>	<b>(6,571,207)</b>	<b>2,311,473</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>200,862,242</b>	<b>198,550,769</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 194,291,035</b>	<b>\$ 200,862,242</b>

See Accompanying Notes

**MANITOWOC PUBLIC UTILITIES**

## Statement of Cash Flows

For the Year Ended December 31, 2022

With Summarized Comparative Information for the Year Ended December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$ 78,144,872	\$ 71,193,983
Paid for Employee Wages and Benefits	(3,953,886)	(4,098,249)
Paid to Municipality	(606,222)	(37,886)
Paid to Suppliers for Goods and Services	(74,986,439)	(57,571,061)
<b>Net Cash Flows From Operating Activities</b>	<b>(1,401,675)</b>	<b>9,486,787</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Economic Development Loans Paid Out	(50,237)	(82,897)
Received (Paid) on Notes to City of Manitowoc	3,457	2,848
Deposit from (to) Others	5,048,933	(5,000,000)
Transfer to City of Manitowoc	(3,280,039)	(3,937,373)
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>1,722,114</b>	<b>(9,017,422)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(4,794,048)	(4,472,079)
Capital Contributions	1,688,601	1,320,353
Salvage Received on Capital Assets	210,669	155,829
Cost of Removal of Capital Assets	(158,000)	(485,491)
Interest Paid on Long-Term Debt	(14,393)	(3,975)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<b>(3,067,171)</b>	<b>(3,485,363)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	1,962,766	1,785,360
Cash Paid to ATC LLC	(802,104)	(341,194)
Purchase of Investments	(9,253,896)	(10,298,817)
Proceeds from Maturity of Investments	6,314,711	8,115,000
<b>Net Cash Flows From Investing Activities</b>	<b>(1,778,523)</b>	<b>(739,651)</b>
<b>NET DECREASE IN CASH AND INVESTMENTS</b>	<b>(4,525,255)</b>	<b>(3,755,649)</b>
<b>CASH AND INVESTMENTS - BEGINNING OF YEAR</b>	<b>22,077,221</b>	<b>25,832,870</b>
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<b>\$ 17,551,966</b>	<b>\$ 22,077,221</b>

**MANITOWOC PUBLIC UTILITIES**

## Statement of Cash Flows

For the Year Ended December 31, 2022

With Summarized Comparative Information for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (4,148,037)	\$ 3,942,456
Noncash Items Included in Operating Income (Loss):		
Depreciation	5,832,016	5,586,424
Depreciation Charged to Operating Accounts	706	707
Depreciation Charged to Sewer (Meters)	94,908	88,723
Amortization of Asset Retirement Obligation	866,667	866,667
Changes in Deferred Outflows and Inflows of Resources:		
Deferred Outflows Related to Pension	(3,180,542)	(1,389,266)
Deferred Inflows Related to Pension	3,298,747	1,933,759
Deferred Outflows Related to OPEB - Cost-Sharing Plan	45,157	(112,147)
Deferred Inflows Related to OPEB - Cost-Sharing Plan	2,976	13,950
Deferred Outflows Related to OPEB - Single-Employer	(4,423)	2,129
Deferred Inflows Related to OPEB - Single-Employer	42,959	(731)
Changes in Assets and Liabilities:		
Customer Accounts Receivable, Net	(32,928)	(1,576,369)
Due from Other Governments	711	(338)
Prepaid Supplies and Other Items	(1,857,169)	(94,092)
Net Pension Asset	(1,212,318)	(1,374,911)
Accounts Payable	(1,219,395)	960,243
Accrued and Other Current Liabilities	182,196	140,222
Due to Other Governments	(606,933)	(37,548)
Customer Deposits	107,342	215,857
Compensated Absences	257,407	(43,258)
Net OPEB Liability - Cost-Sharing Plan	52,040	251,298
Net OPEB Liability - Single-Employer	(30,262)	20,575
Merchandising and Jobbing	107,206	93,143
Miscellaneous	(706)	(706)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (1,401,675)</u>	<u>\$ 9,486,787</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and Investments	\$ 50,911,004	\$ 55,383,679
Less: Long-Term Investments	(33,359,038)	(33,306,458)
<b>TOTAL CASH AND INVESTMENTS</b>	<u>\$ 17,551,966</u>	<u>\$ 22,077,221</u>

# MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

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## Note 1 - Summary of Significant Accounting Policies

### Introduction

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

### Reporting Entity

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

### Proprietary Fund Financial Statements

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

**Enterprise funds.** Enterprise funds are used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. Enterprise funds are used to account for the operations of the electric, water, steam and broadband utility.

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

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

### Measurement Focus, Basis of Accounting and Basis of Presentation

MPU's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Unpaid customer accounts receivable are recorded at year end.

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

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



## MANITOWOC PUBLIC UTILITIES

### Notes to Financial Statements

December 31, 2022

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#### **Note 1 - Summary of Significant Accounting Policies (Continued)**

##### **Cash and Investments**

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

##### **Receivables and Payables**

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

MPU has the right under Wisconsin statutes to place delinquent electric bills on the tax roll for collection. An allowance for uncollectible accounts of \$47,294 has been provided for electric and water MPU receivables.

##### **Prepaid and Supplies Items**

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

##### **Investment in American Transmission Company (ATC)**

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

The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, MPU has the option to contribute additional funds to maintain its proportionate share of ownership. The investment in American Transmission Company LLC is recorded at cost since it is privately held and has no readily available fair market value. MPU's ownership share is valued at \$15,057,727 as of December 31, 2022, and is reported on the statement of net position as other assets.

##### **Nonutility Property**

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

##### **Capital Assets**

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

## MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

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### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Wastewater Collections

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

#### Compensated Absences

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

#### Deferred Outflows/Inflows of Resources

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

#### Pension and Other Post-Employment Benefits

**Pensions.** For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

#### Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Debt payables are reported net of the applicable bond premium or discount. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

## MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

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### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Leases

MPU adopted GASB Statement No. 87 for the year ended December 31, 2022 which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. There was an adjustment for material leases that was required to be recorded for the year ended December 31, 2022. See Note 13.

#### Capital Contributions

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

#### Transfers

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

#### Basis for Existing Rates

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

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

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

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

#### Certain Asset Retirement Obligations

An Asset Retirement Obligation (ARO) is a legal enforceable liability associated with the retirement of a tangible asset. A legal obligation exists for MPU to perform future retirement activities for the decommissioning of the power plant complex and coal storage site, as the site contains hazardous and other materials that require special handling, based upon Federal Regulations.

#### Net Position

Net position is classified into three components defined as follows:

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

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

# MANITOWOC PUBLIC UTILITIES

## Notes to Financial Statements

December 31, 2022

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

#### Reclassifications

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

### Note 2 - Cash and Investments

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

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

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

The carrying amount of MPU's cash and investments totaled \$50,911,004 on December 31, 2022 are as follows:

Petty Cash and Cash on Hand	\$	750
Deposits With Financial Institutions		13,764,260
Investments		37,145,994
	\$	<u>50,911,004</u>
Reconciliation to the Financial Statements		
Statement of Net Position:		
Cash	\$	13,765,010
Current Investments		3,786,956
Non-current Investments		33,359,038
	\$	<u>50,911,004</u>

**MANITOWOC PUBLIC UTILITIES**

## Notes to Financial Statements

December 31, 2022

**Note 2 - Cash and Investments (Continued)****Custodial Credit Risk**

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

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

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2022, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following represents a summary of deposits as of December 31, 2022:

Fully Insured Deposits	\$ 500,000
Collateralized	14,800,952
	<u>\$ 15,300,952</u>

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

**Credit Risk**

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

As of December 31, 2022, MPU's credit quality ratings are as follows:

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A	Not Rated
U.S. Treasury Notes	\$ 6,996,296	\$ 6,996,296	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	1,221,689	1,221,689	-	-	-	-
Money Market Mutual Funds	178,545	-	-	178,545	-	-
Corporate Bonds and Notes	20,483,283	-	6,409,525	10,424,495	2,434,477	1,214,786
State and Municipal Bonds and Notes	240,850	-	-	240,850	-	-
Federal National Mortgage	3,646,741	-	3,646,741	-	-	-
Federal Home Loan Bank	2,802,403	-	2,802,403	-	-	-
Federal Home Loan Mortgage	449,427	-	449,427	-	-	-
Federal Farm Credit Bureau	1,126,760	-	1,126,760	-	-	-
	<u>\$ 37,145,994</u>	<u>\$ 8,217,985</u>	<u>\$ 14,434,856</u>	<u>\$ 10,843,890</u>	<u>\$ 2,434,477</u>	<u>\$ 1,214,786</u>

# MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

## Note 2 - Cash and Investments (Continued)

### Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount	Percentage of Total investments
Federal National Mortgage	Federal Agency Securities	\$ 3,646,741	10%
Federal Home Loan Bank	Federal Agency Securities	2,802,403	8%

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that MPU manages its exposure to interest rate risk is by purchasing a combination so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of December 31, 2022, MPU's investments were as follows:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Securities	\$ 6,996,296	\$ 1,773,781	\$ 1,765,093	\$ 3,457,422	\$ -
U.S. Agencies	1,221,689	-	497,824	723,865	-
Money Market Mutual Funds	178,545	178,545	-	-	-
Corporate Bonds and Notes	20,483,283	1,336,806	5,024,124	14,122,353	-
State and Municipal Bonds and Notes	240,850	-	-	240,850	-
Federal National Mortgage	3,646,741	-	-	3,646,741	-
Federal Home Loan Bank	2,802,403	-	-	2,802,403	-
Federal Home Loan Mortgage	449,427	-	-	449,427	-
Federal Farm Credit Bureau	1,126,760	-	-	1,126,760	-
	<u>\$ 37,145,994</u>	<u>\$ 3,289,132</u>	<u>\$ 7,287,041</u>	<u>\$ 26,569,821</u>	<u>\$ -</u>

**MANITOWOC PUBLIC UTILITIES**

## Notes to Financial Statements

December 31, 2022

**Note 2 - Cash and Investments (Continued)**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments	Fair Value At Year End
Mortgage-backed Securities. These securities are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 8,025,331

Fair Value

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

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

As of December 31, 2022 MPU had the following investments at fair value:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments:			
U.S. Treasury Securities	\$ -	\$ 6,996,296	\$ -
U.S. Agencies	-	1,221,689	-
Money Market Mutual Funds	178,545	-	-
Corporate Bonds and Notes	-	20,483,283	-
State and Municipal Bonds	-	240,850	-
Federal National Mortgage	-	3,646,741	-
Federal Home Loan Bank	-	2,802,403	-
Federal Home Loan Mortgage	-	449,427	-
Federal Farm Credit Bureau	-	1,126,760	-
Total	<u>\$ 178,545</u>	<u>\$ 36,967,449</u>	<u>\$ -</u>

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 3 - Interfund Receivables/Payables and Transfers**

The following is a schedule of interfund balances as of December 31, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
MPU	Municipality	\$ 25,555	Phone System
MPU	Municipality	917,558	Land Purchase
		<u>\$ 943,113</u>	

Interfund transfers for the year ended December 31, 2022 in the amount of \$3,280,039 were made for the purpose of transferring the tax equivalent payment from MPU to the general fund of the City of Manitowoc, Wisconsin.

**Note 4 - Changes in Capital Assets**

A summary of changes in capital assets for 2022 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, not being Depreciated:				
Land	\$ 2,226,996	\$ -	\$ -	\$ 2,226,996
Construction in Progress	1,633,824	600,814	443,089	1,791,549
Total Capital Assets Not Being Depreciated	<u>3,860,820</u>	<u>600,814</u>	<u>443,089</u>	<u>4,018,545</u>
Capital Assets Being Depreciated:				
Buildings	22,873,904	184,910	11,329	23,047,485
Improvements Other Than Buildings	160,604,798	1,392,198	2,190,550	159,806,446
Infrastructure	82,595,626	3,059,215	591,834	85,063,007
Total Capital Assets Being Depreciated	<u>266,074,328</u>	<u>4,636,323</u>	<u>2,793,713</u>	<u>267,916,938</u>
Less Accumulated Depreciation:				
Buildings	10,598,708	315,356	14,292	10,899,772
Improvements Other Than Buildings	94,523,687	3,638,547	2,205,549	95,956,685
Infrastructure	32,280,333	2,183,690	731,872	33,732,151
Total Accumulated Depreciation	<u>137,402,728</u>	<u>6,137,593</u>	<u>2,951,713</u>	<u>140,588,608</u>
Total Capital Assets, Net of Depreciation	<u>128,671,600</u>	<u>(1,501,270)</u>	<u>(158,000)</u>	<u>127,328,330</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 132,532,420</u>	<u>\$ (900,456)</u>	<u>\$ 285,089</u>	<u>\$ 131,346,875</u>



**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 4 - Changes in Capital Assets (Continued)**

Depreciation expense was charged to functions of MPU as follows:

Business-Type Activities:	
Water Utility	\$ 2,108,991
Electric Utility	3,600,764
Steam Utility	59,129
Broadband	63,132
Total Depreciation Expense	<u>5,832,016</u>
Depreciation Charged to Sewer Utility for Shared Meter Expense	94,908
Salvage Charged to Accumulated Depreciation	<u>210,669</u>
Total Increase in Accumulated Depreciation	
Above	<u>\$ 6,137,593</u>

**Note 5 - Asset Retirement Obligations**

A legal obligation exists for MPU to perform future retirement activities for the decommissioning of the power plant complex and coal storage site, as the sites contain hazardous and other materials that require special handling, based upon Federal Regulations. The estimated useful life remaining is 9 years. There are no legally required funding or assurance provision or restricted assets associated with the asset retirement obligation. Based on management's best estimate and evaluation of expected retirement activities including comparison of retirement costs for similar plants, MPU estimates the cost of decommissioning these assets, and accordingly recognized a liability of \$26,000,000 and deferred outflows of resources of \$12,133,332 as of December 31, 2022. Current year amortization amounted to \$866,667.

**Note 6 - Net Position**

Net position reported on the statement of net position at December 31, 2022 include the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 131,346,875
Investment in Nonutility Plant - Net	<u>1,123,585</u>
Net Investment in Capital Assets	132,470,460
Net Position Restricted For:	
Pension	2,368,125
Unrestricted	<u>59,452,450</u>
Total Net Position	<u>\$ 194,291,035</u>

## MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

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### Note 7 - Defined Benefit Pension Plan

#### ***General Information about the Pension Plan***

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 7 - Defined Benefit Pension Plan (Continued)**

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2012	(7.0) %	(7) %
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13

**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 2022 reporting period, the WRS recognized \$605,120 in contributions from MPU.

Contribution rates as of December 31, 2022 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including executives and elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12%
Protective without Social Security	6.50%	16.40%

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

At December 31, 2022, MPU reported an asset of \$3,926,235 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. MPU's proportion of the net pension asset was based on MPU's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, MPU's proportion was 0.04871148% which was an increase of 0.00524108% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, MPU recognized a reduction of pension expense of \$335,962.

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 7 - Defined Benefit Pension Plan (Continued)**

At December 31, 2022 MPU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual experiences	\$ 6,342,635	\$ 457,372
Changes in assumptions	732,501	-
Net differences between projected and actual earnings on pension plan investments	-	8,783,315
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,460	2,139
Employer contributions subsequent to the measurement date	605,120	-
<b>Total</b>	<b>\$ 7,684,716</b>	<b>\$ 9,242,826</b>

At December 31, 2022, the \$605,120 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability (asset) in the years ending December 31, 2023. Other amounts at December 31, 2022 reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2023	\$ (182,686)
2024	(1,064,096)
2025	(467,897)
2026	(448,551)
	<b>\$ (2,163,230)</b>

# MANITOWOC PUBLIC UTILITIES

## Notes to Financial Statements

December 31, 2022

### Note 7 - Defined Benefit Pension Plan (Continued)

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

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

\* No post-retirement 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 post-retirement discount rate.

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, post-retirement 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:

#### Asset Allocation Targets and Expected Returns<sup>1</sup> As of December 31, 2021

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % <sup>2</sup>
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
Total Core Fund <sup>3</sup>	115% *	6.6%	4.0%
Variable Fund Asset Class			
U.S. Equities	70%	6.3%	4.1%
International Equities	30	7.2	4.9
Total Variable Fund	100%	6.8%	4.6%

<sup>1</sup>Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

<sup>2</sup>New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%.

<sup>3</sup>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%.

# MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

## Note 7 - Defined Benefit Pension Plan (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 6.80% 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 member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of MPU's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.** The following presents MPU's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.8 percent, as well as what MPU's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
MPU's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,785,942	\$ (3,926,235)	\$ (8,757,754)

**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>.

**Payables to the Pension Plan.** MPU is required to remit the monthly required contribution for both the employee and MPU portions by the last day of the following month. The amount due to WRS is \$63,689 as of December 31, 2022.

## Note 8 - Post-Employment Benefits Other Than Pension Benefits

MPU reports OPEB related balances at December 31, 2022 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Local Retiree Life Insurance Fund (LRLIF)	\$ 699,832	\$ 232,305	\$ 79,991	\$ 84,844
Single-Employer Defined OPEB plan	228,882	84,758	47,716	34,357
Total	<u>\$ 928,714</u>	<u>\$ 317,063</u>	<u>\$ 127,707</u>	<u>\$ 119,201</u>

### 1. Single-Employer Defined Postemployment Benefit Plan

**Plan Description.** The Plan is a single-employer defined benefit postemployment health plan. MPU provides medical coverage (including prescription drugs) for employees who retired prior to January 1, 2021. Employees retiring after December 31, 2020 are no longer eligible to remain on MPU's medical plan.

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)**

**Employees Covered by Benefit Terms.** As of the January 1, 2022 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	115
	<u>119</u>

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

**Total OPEB Liability.** MPU's total OPEB liability was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2022.

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.00%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.4% - 3.50%
Discount Rate:	2.06%
Healthcare Trend Rates:	5.80% for 2022 Decreasing to an Ultimate Rate of 3.70% After 62 Years

Mortality rates are based on the Wisconsin 2018 Mortality table.

The actuarial assumptions used in the January 1, 2021 valuation were based on the "Wisconsin Retirement System 2018 – 2020 Experience Study."

**Discount Rate.** The discount rate used to measure the total OPEB liability was 2.06%, which is based on the Bond Buyer GO 20-year Municipal Bond Index as of the week of the measurement date. The discount rate used in the January 1, 2018 actuarial valuation was 4.10%. No assets have been accumulated in an irrevocable trust, so the Bond buyer GO 20-year Municipal Bond Index has been applied to all periods.

Changes in the Total OPEB Liability:

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/2021</b>	<u>\$ 259,144</u>
<b>Changes for the Year:</b>	
Service Cost	22,062
Interest	5,687
Changes of Assumptions or Other Input	(31,927)
Benefit Payments	<u>(26,084)</u>
<b>Net Changes</b>	<u>(30,262)</u>
<b>Balance at 12/31/2022</b>	<u>\$ 228,882</u>

# MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

## Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of MPU, as well as what MPU's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.06%) or 1-percentage-point higher (3.06%) than the current rate:

	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	\$ 243,838	\$ 228,882	\$ 214,463

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

	1% Decrease to (4.8% Decreasing to 2.7%)	Healthcare Cost Trend Rates (5.8% Decreasing to 3.7%)	1% Increase (6.8% Decreasing to 4.7%)
Total OPEB Liability	\$ 203,004	\$ 228,882	\$ 260,126

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2021, MPU recognized OPEB expense of \$34,357. At December 31, 2022, MPU reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between OPEB plan - projected and actual experiences	\$ 40,809	\$ 43,688
Changes in assumptions	43,949	4,028
<b>Total</b>	<b>\$ 84,758</b>	<b>\$ 47,716</b>

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

Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ 6,608
2024	6,608
2025	6,608
2026	6,608
2027	6,448
Thereafter	4,162
	<b>\$ 37,042</b>



## MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2022

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### Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

**Payable to the OPEB Plan.** At December 31, 2022, MPU did not report a payable for the outstanding amount of contribution to the OPEB Plan required.

#### 2. Local Retiree Life Insurance Fund

##### **General Information About the OPEB Plan**

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

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

Additionally, ETF issued a 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 post-retirement benefit.

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

Contribution rates as of December 31, 2022 are:

<b>Coverage Type</b>	<b>Employee</b>
50% Post Retirement Coverage	40% of Member Contribution
25% Post Retirement Coverage	20% of Member Contribution

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)**

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

**Life Insurance  
Member Contribution Rates \***  
**For the Year Ended December 31, 2021**

<u>Attained Age</u>	<u>Basic/Supplemental</u>
Under 30	\$ 0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

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

During the reporting period, the Plan recognized \$746 in contributions from MPU.

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

At December 31, 2022, MPU reported a liability of \$699,832, respectively for its proportionate share of the net OPEB liability. 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 benefit terms occurred between the actuarial valuation date and the measurement date. MPU's proportion of the net OPEB liability was based on MPU's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, MPU's proportion was 0.12116233%, which was an increase of 0.00339739% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, MPU recognized OPEB expense of \$87,922.

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)**

At December 31, 2022, MPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual experiences	\$ -	\$ 35,600
Changes in assumptions	211,444	33,920
Net differences between projected and actual earnings on OPEB plan investments	9,105	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,010	10,471
Employer contributions subsequent to the measurement date	746	-
<b>Total</b>	<b>\$ 232,305</b>	<b>\$ 79,991</b>

The \$746 reported as deferred outflows related to OPEB resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2023	\$ 35,234
2024	34,178
2025	31,216
2026	37,755
2027	14,655
Thereafter	(1,470)
	<b>\$ 151,568</b>

**MANITOWOC PUBLIC UTILITIES**

Notes to Financial Statements

December 31, 2022

**Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)**

**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:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability:	December 31, 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:	
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.

**State OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December 31, 2021**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	45%	1.68%
U.S. Long Credit Bonds	Bloomberg U.S. Long Credit	5	1.82
U.S. Mortgages	Bloomberg U.S. MBS	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.

# MANITOWOC PUBLIC UTILITIES

## Notes to Financial Statements

December 31, 2022

### Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

**Single Discount Rate.** A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, 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 members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

**Sensitivity of MPU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.** The following presents MPU's proportionate share of the net OPEB liability calculated using the discount rate of 2.17 percent, as well as what MPU's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17 percent) or 1-percentage-point higher (3.17 percent) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)
MPU's Proportionate Share of the Net OPEB Liability	\$ 949,419	\$ 699,832	\$ 512,027

**Payables to the OPEB Plan.** As of December 31, 2022, MPU had no outstanding payables to the OPEB plan.

### Note 9 - Cash Reserves

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

	2021	2020	AVG	150 Days
Water	\$ 5,265,359	\$ 5,244,001	\$ 5,254,680	\$ 2,159,458
Electric	58,684,321	51,756,146	55,220,234	22,693,247
Steam	1,521,766	1,215,804	1,368,785	562,514
Information Technology	921,541	826,545	874,043	359,196
Broadband	91,196	79,932	85,564	35,163

As of December 31, 2022, MPU has funded its reserves at 150 days and complied with Commission resolution of at least 120 days.

### Note 10 - Risk Management

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

# MANITOWOC PUBLIC UTILITIES

## Notes to Financial Statements

December 31, 2022

### Note 11 - Major Power Supply Contract Activities

MPU is a summer peaking utility. Starting October 1, 2011, MPU entered into a 10-year contract with Great Lakes Utilities (GLU) where MPU received up to 77MW's of capacity and associated energy. As part of this contract, MPU also sold the capacity and associated energy from its steam generation units to GLU. GLU and MPU mutually agreed to terminate this contract as of December 31, 2022. Impacts from the termination of the GLU capacity contract will be minimal due to the fact that as part of the capacity contract termination there is also a termination of MPU's 64 MW load-following power purchase from GLU. This reduction of expenses will offset the loss of revenues from the capacity contract.

### Note 12 - Related Party Transactions

GLU has contracted with MPU, one of its members, to provide management, secretarial, accounting and technical support services. GLU is charged for these services based upon actual time spent by MPU personnel on GLU operations. GLU is then billed for these services based upon contracted hourly rates. For the year ended December 31, 2022, technical and administrative services provided to GLU totaled \$386,854, with a current receivable from GLU of \$33,792 for services rendered.

In addition, for the year ended December 31, 2022 GLU has purchased power totaling \$27,005,677 from MPU and MPU has a current receivable from GLU of \$1,681,048

### Note 13 - Leases

MPU leases a water tower to Verizon for the purpose of transmission and reception of communication signals. This lease had an initial term of 5 years with three additional 5 year terms ending in 2032. The annual payment for December 31, 2022 is \$59,616. MPU leases a water tower to Cellcom for the purpose of transmission and reception of communication signals. This lease had an initial term of 5 years with six additional 6 year terms ending in 2037. The annual payment for December 31, 2022 is \$40,877 with a 3.00% annual increase. For the year ended December 31, 2022, MPU recognized \$90,557 in lease revenue (including interest) related to these agreements. MPU restated the beginning balance as of January 1, 2021 for these leases of \$1,434,394. At December 31, 2022, MPU recorded a \$1,263,381 lease receivables and deferred inflows of resources for these arrangements.

	Beginning Balances			Ending Balances
Leases Receivable	January 1, 2022	Additions	Reductions	December 31, 2022
Water Tower - 1997	\$ 617,276	\$ -	\$ 48,290	\$ 568,986
Water Tower - 2002	734,307		39,912	694,395
Total	<u>\$ 1,351,583</u>	<u>\$ -</u>	<u>\$ 88,202</u>	<u>\$ 1,263,381</u>

Remaining amounts to be received associated with these leases at December 31, 2022 are as follows:

Year Ending December 31,	
2023	\$ 79,242
2024	85,031
2025	91,089
2026	97,427
2027	104,060
2028-2032	540,145
2033-2037	<u>266,387</u>
Total	<u>\$ 1,263,381</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# MANITOWOC PUBLIC UTILITIES

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

WRS Fiscal Year End Date (Measurement Date)	MPU Proportion of the Net Pension Asset/Liability	MPU Proportionate Share of the Net Pension (Asset)/Liability	MPU's Covered Payroll	MPU's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2021	0.04871148%	\$ (3,926,235)	\$ 7,564,766	51.90%	106.02%
12/31/2020	0.04347040%	(2,713,917)	6,815,249	39.82%	105.26%
12/31/2019	0.04152655%	(1,339,006)	6,830,511	19.60%	102.96%
12/31/2018	0.04137931%	1,472,146	6,654,834	22.12%	96.45%
12/31/2017	0.04103787%	(1,218,463)	6,354,189	19.18%	102.93%
12/31/2016	0.04200699%	346,756	6,069,810	5.71%	99.12%
12/31/2015	0.04243429%	689,549	5,973,877	11.54%	98.20%
12/31/2014	0.04375710%	(1,074,795)	6,131,326	17.53%	102.74%

## Schedule of Employer Contributions Wisconsin Retirement System (WRS)

MPU Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	\$ 605,120	\$ 605,120	\$ -	\$ 9,309,538	6.50%
12/31/2021	510,622	510,622	-	7,564,766	6.75%
12/31/2020	460,029	460,029	-	6,815,249	6.75%
12/31/2019	447,398	447,398	-	6,830,511	6.55%
12/31/2018	445,873	445,873	-	6,654,834	6.70%
12/31/2017	409,764	409,764	-	6,354,189	6.45%
12/31/2016	406,224	406,224	-	6,069,810	6.69%
12/31/2015	418,061	418,061	-	5,973,877	7.00%

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



# **MANITOWOC PUBLIC UTILITIES**

## Schedule of Employer's Proportionate Share of the Net OPEB Liability Other Post-Employment Benefits Other Than Pensions Cost-Sharing Plan

OPEB Fiscal Year End Date (Measurement Date)	MPU's Proportion of the Net OPEB Liability	MPU's Proportionate Share of the Net OPEB Liability	MPU's Covered Payroll	MPU's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/2021	0.12116233%	\$ 699,832	\$ 6,104,558	11.46%	29.57%
12/31/2020	0.11776494%	647,792	6,815,249	9.51%	31.36%
12/31/2019	0.11039128%	396,494	6,830,511	5.80%	37.58%
12/31/2018	0.09241670%	238,466	6,654,834	3.58%	48.69%
12/31/2017	0.09089161%	273,454	6,354,189	4.30%	44.81%

## Schedule of Employer Contributions Other Post-Employment Benefits Other Than Pensions

MPU Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	\$ 746	\$ 746	\$ -	\$ 6,230,669	0.01%
12/31/2021	2,446	2,446	-	6,104,558	0.04%
12/31/2020	2,791	2,791	-	6,815,249	0.04%
12/31/2019	2,952	2,952	-	6,830,511	0.04%
12/31/2018	8,701	8,701	-	6,654,834	0.13%

**MANITOWOC PUBLIC UTILITIES**  
Schedule of Changes in Total OPEB and Related Ratios  
Other Post-Employment Benefit Plan - Single-Employer Plan  
Last 10 Measurement Years\*

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>					
Service Cost	\$ 22,062	\$ 19,577	\$ 15,364	\$ 12,677	\$ 11,544
Interest	5,687	6,861	5,947	4,673	4,633
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(48,608)	-	59,444	-	-
Changes of Assumptions or Other Input	16,681	9,696	28,770	(6,948)	3,230
Benefit Payments	(26,084)	(15,559)	(1,254)	(6,508)	(8,000)
<b>Net Change in Total OPEB Liability</b>	<b>(30,262)</b>	<b>20,575</b>	<b>108,271</b>	<b>3,894</b>	<b>11,407</b>
<b>Total OPEB Liability - Beginning</b>	<b>259,144</b>	<b>238,569</b>	<b>130,298</b>	<b>126,404</b>	<b>114,997</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 228,882</b>	<b>\$ 259,144</b>	<b>\$ 238,569</b>	<b>\$ 130,298</b>	<b>\$ 126,404</b>
Covered-Employee Payroll	\$ 6,104,558	\$ 6,815,249	\$ 6,815,249	\$ 6,333,360	\$ 6,333,360
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.75%	3.80%	3.50%	2.06%	2.00%

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

### **Defined Benefit Pension Plan**

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

*Changes of assumptions.*

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

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

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

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

### **Post-Employment Benefits Other Than Pension Benefits - Cost-Sharing Plan**

*Changes of benefit terms.* There were no recent changes in benefit terms.

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

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

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

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

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

### **Other Post-Employment Benefits Plan – Single Employer Plan**

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

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

## **ADDITIONAL REPORTS**