

To the Board of Commissioners
Manitowoc Public Utilities
Manitowoc, Wisconsin

We have audited the financial statements of Manitowoc Public Utilities (MPU) for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated information in our engagement letter to you as well as verbally during our initial planning meetings. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 13, 2023, our responsibility as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Our audit of the financial statements does not relieve you or management of your responsibilities.

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Any internal control related matters that are required to be communicated under professional standards are included later in this letter.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedules of employer's proportionate share of the 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 plan – single-employer plan as indicated in the financial statement's table of contents, which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MPU are described in Note 1 to the financial statements. As discussed in Note 1, MPU adopted the provisions of the Governmental Accounting Standards Board Statement No. 96 – Subscription-Based Information Technology Agreements as of and for the year ended December 31, 2023. We noted no transactions entered into by the MPU during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the MPU's financial statements were:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension asset (liability) and related deferred outflows/inflows is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net pension asset in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other post-employment liability (OPEB) and related deferred outflows/inflows is based on an actuarially determined amount. We evaluated the key factors and assumptions used to develop the net OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the health insurance total other post-employment benefits (OPEB) liability and related deferred outflows/inflows is based on an estimated amount. We evaluated the key factors and assumptions used to develop the total OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the asset retirement obligation (ARO) is based on an estimated amount. We evaluated the key factors and assumptions used to develop the ARO in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

The disclosure of net pension asset (liability) and related deferred outflows/inflows and related risk associated with them in Note 8 to the financial statements. The footnote was prepared based on the requirements of the Government Accounting Standards Board and is intended to inform readers as to the risk associated with the MPU's net pension asset (liability) and related deferred outflows/inflows.

The disclosure of other post-employment benefits liabilities and the related risk associated with it in Note 9 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the MPU's OPEB liabilities and related deferred outflows/inflows.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of the audit we assisted the Accounting Manager in making adjusting entries. Most of these entries related to the recognition of the Wisconsin Retirement System accounts. All adjusting entries prepared and discussed during the audit are included in the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter, dated March 19, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the MPU's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the MPU's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the MPU as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the MPU's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MPU's internal control. Accordingly, we do not express an opinion on the effectiveness of the MPU's internal control.

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

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

Closing

We would like to thank Cindy Carter, Tiffany Myers and the rest of the MPU's staff for their support and assistance during our audit.

This information is intended solely for the use of management, the MPU Commission, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

KerberRose SC

KerberRose SC
Certified Public Accountants
Green Bay, Wisconsin
March 19, 2024