

MANITOWOC PUBLIC UTILITIES

Annual Financial Report

For the Year Ended

December 31, 2024



www.kerberrose.com

MANITOWOC PUBLIC UTILITIES

Table of Contents

December 31, 2024

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 17
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	18 - 19
Statement of Revenues, Expenses and Changes in Net Position	20
Statement of Cash Flows	21 - 22
Notes to Financial Statements	23 - 44
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System	45
Schedules of Employer's Proportionate Share of the Net OPEB Liability and Employer Contributions – Other Post-Employment Benefits Other Than Pensions – Cost Sharing Plan	46
Notes to Required Supplementary Information	47

INDEPENDENT AUDITORS' REPORT

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, 2024, 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, 2024, 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, 2024, 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 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 2023 financial statements and we expressed an unmodified opinion on those financial statements in our report dated March 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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 7, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

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, 2024. Please read this narrative in conjunction with MPU's financial statements.

Financial Highlights from 2024

In 2023, MPU formally took over ownership of the Wastewater Treatment Facility (WWTF) from the City of Manitowoc with the Wastewater Collection system assets remaining with the City. MPU has continued to bill and collect the revenues for Collections on the City's behalf. In 2024, the City and MPU entered into a combined financial assistance agreement for a Clean Water Fund Loan for the WWTF Stack Filter/Final Clarifier Rehabilitation and City Lift Station projects. MPU also qualifies for up to \$2.1 million in principal forgiveness funding over the life of the project. The Stack Filter/Final Clarifier Rehabilitation project, identified as a high-priority need in the WWTF Master Plan to ensure compliance with DNR permitted limits for discharge, is underway and set to be completed by 2026.

In 2024, MPU reviewed steam and hot water rates and implemented an overall 6.8% increase effective 4/1/2024 approved by MPU's Commission.

In 2024, MPU borrowed the City \$6.3 million through a three-year promissory note with interest of 5.25% compounded annually for the purchase of a blighted property on the north side of the City.

In 2023, MPU entered into a \$5.3 million 5-year lease with a \$1 million bargain purchase option with Bright Horizon Properties, LLC for the use of a fuel storage building. The lease also requires \$500K of operating expense contribution over its life. The first payment of approximately \$2 million was held by MPU until April 2024 after proper permitting was obtained for needed improvements and modifications to the premises. An additional lease payment of approximately \$1 million was made in December 2024, the second required lease payment.

In 2024, MPU qualified again for the Safe Drinking Water Loan Program (SDWLP) to assist in the replacement of customer lead service lines (LSLs) focusing on the most disadvantaged census tracts and neighborhoods. Because MPU qualified for 75% and 50% principal forgiveness in addition to the 100% principal forgiveness program, a loan security was required. For customers in the 75% and 50% principal forgiveness census tracts, the customers must pay the difference between the actual cost of the replacement and the principal forgiveness loan. MPU will not incur any liability for these customers.

Wisconsin Statute § 66.0627(8)(ag) permits a municipality to establish a loan program for property owners to replace private lead service lines. For 2024 and going forward, the WDNR will accept a municipality's pledge of these loan repayments as security for the SDWLP loan. The City of Manitowoc approved a Municipal Loan Program which acts as the Alternative Pledge for the SDWLP LSL loans. When a lead service line is replaced, customers either can pay their share directly or sign up for the City's loan program which adds a special assessment (loan payment) on their tax bill over five years.

In 2022, a tariff was approved by the Public Service Commission of Wisconsin (PSCW) to allow MPU, in conjunction with GRNE Solar, to build a 1,000 KW community solar garden facility. After overwhelming public interest in the program, MPU filed for an expansion in 2023. The PSCW approved the expansion to 1,500 KW. This Community Solar Garden program allows MPU customers to experience the benefits of solar without the upfront costs that rooftop solar requires. Construction at the site began in the fall of 2023 and went live in December 2024.

In 2022, due to significant increases in the cost of fossil fuels for Lakefront 9 (Boiler 9), the MPU Commission approved a plan to put Boiler 9 into economic suspension with the Midcontinent Independent System Operator (MISO) until a sufficient supply

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

of lower cost fuel could 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 could be implemented to mitigate reliability issues. Shortly after, MPU presented a feasible alternative to the transmission upgrades. MPU is in the process of converting the Lakefront 9 generating facility, which currently utilizes fossil-fuel, to an alternative renewable fuel source and will bring Lakefront 9 back to full commercial operation by no later than January 31, 2026, when the alternative fuel source becomes available in sufficient quantity.

MISO and MPU entered into an SSR Agreement for the one-year period beginning on February 1, 2023, which was filed with the Federal Energy Regulatory Commission (FERC) on January 20, 2023 and accepted on March 21, 2023 (along with accompanying cost allocation) in Dockets ER23-914 and ER23-917. A Second Lakefront 9 SSR Agreement for a one-year term beginning on February 1, 2024 was filed with FERC on December 1, 2023 and accepted on January 31, 2024 in Docket ER24-516. Like the initial agreement, the Second Lakefront 9 SSR Agreement provided for a 90-day notice to MPU to the extent that MISO intended to keep Lakefront 9 SSR-designated for an additional period of time. MISO issued that 90-day notice on November 1, 2024, stating that "it may be necessary to extend the SSR designation for Lakefront 9 and enter into another term for an SSR Agreement. The thermal reliability conditions have not improved such that the Lakefront 9 SSR Unit can be released from its SSR status." MISO worked with MPU regarding the content of the Third Lakefront 9 SSR Agreement. MPU agreed to a nine (9) month SSR Agreement for the period between February 1, 2025 and October 31, 2025 and will return Lakefront 9 to commercial service on November 1, 2025 when sufficient quantities of the alternative fuel will be available to support operating the unit. Through December 2024, MPU has received \$12.1M in SSR funds to offset fuel expenses.

Electric and Steam Utility:

- MPU's Community Solar Garden came on line in December 2024 generating approximately 18,125 kWh in its first month.
- The Power Plant added thermal metal spray to Boiler 8 in 2023 for \$2.1 million and Boiler 9 in 2024 for \$5.2 million.
- Electric Distribution replaced 3,000 feet of underground street light cable and 100 deteriorated wood utility poles.
- Following an engineering feasibility study to ensure cost savings and payback, Electric Distribution continued on to year four of a five-year project to replace all HPS street light fixtures in the City with LED fixtures.
- Please see the condensed statements and the presented management comments for additional detailed financial highlights.

Water Utility:

- MPU installed approximately 3,691 feet of water main on Franklin Street, Bentwood Lane, River Court, and S 19th Street.
- In 2024, MPU applied for and distributed Wisconsin Department of Natural Resource (WDNR) funding to replace privately-owned lead service lines (LSLs) which replaced 547 lead service lines.
- Please see the condensed statements and the presented management comments for additional detailed financial highlights.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Wastewater Utility:

- WWTF is finalizing their automation project which entailed replacing the outdated SCADA and PLC system, the addition of monitoring equipment, the extension of fiber optic lines, and the installation of other critical controls and equipment. The completion of this project, anticipated for early 2025, will eliminate the need for manned third shift operations.
- Initiated the Stack Filter/Final Clarifier Rehabilitation project with the majority of construction taking place in 2025 and 2026.
- Please see the condensed statements and the presented management comments for additional 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, wastewater, and broadband utilities are self-supporting entities and separate enterprise funds of the City of Manitowoc. MPU also maintains one Internal Service Fund, the IT department, which provides IT services to MPU and the City. Manitowoc Public Utilities also provides the billing and collection functions for the City of Manitowoc Waste Water Collections 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 - 4) and the Statement of Revenues, Expenses, and Changes in Net Position (Tables 5 - 8) 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, 2024

Utility Financial Analysis

Table 1

Condensed Statement of Net Position - Electric and Steam Utility

	2024	2023	Dollar Change	Percent Change
Current Assets	\$ 23,311,501	\$ 32,607,482	\$ (9,295,981)	-28.5%
Net Utility Plant	93,251,927	92,464,973	786,954	0.9%
Other Assets	36,798,405	36,875,732	(77,327)	-0.2%
Total Assets	153,361,833	161,948,187	(8,586,354)	-5.3%
Deferred Outflows - Pension	5,657,147	8,709,646	(3,052,499)	-35.0%
Deferred Outflows - OPEB	299,226	280,085	19,141	6.8%
Deferred Outflows - ARO	10,399,999	11,266,666	(866,667)	-7.7%
Deferred Outflows - Regulatory Asset - Solar	230,578	-	230,578	100.0%
Total Deferred Outflows of Resources	16,586,950	20,256,397	(3,033,358)	-15.0%
Current Liabilities & Other Accrued Expenses	\$ 11,301,249	\$ 13,576,009	(2,274,760)	-16.8%
Long Term Liabilities	30,741,182	33,169,382	(2,428,200)	-7.3%
Total Liabilities	42,042,431	46,745,391	(4,702,960)	-10.1%
Deferred Inflows - Leases	2,014,771	2,137,652	(122,881)	-5.7%
Deferred inflows - Pension	3,385,763	4,867,411	(1,481,648)	-30.4%
Deferred inflows - OPEB	341,682	381,250	(39,568)	-10.4%
Total Deferred Inflows of Resources	5,742,216	7,386,313	(1,644,097)	-22.3%
Net Investment in Capital Assets	90,924,552	87,688,481	3,236,071	3.7%
Restricted for Pension Benefits	1,639,844	1,520,271	119,573	7.9%
Unrestricted	29,599,741	38,864,128	(9,264,387)	-23.8%
Total Net Position	\$ 122,164,137	\$ 128,072,880	\$ (5,908,743)	-4.6%
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 169,948,784	\$ 182,204,584	\$ (12,255,800)	-6.7%

Variance Explanations:

- Current Assets decreased due to a decrease in cash and investments of \$11,795,700 mainly for the Boiler 9 thermal spray project and fuel storage lease payments discussed above, with offsetting increases to Fuel Inventory of \$2,012,200 and a \$1,170,800 receivable accrual for a 2024 SSR payment received in 2025.
- Refer to Table 9 of the MD&A for explanation on changes in Net Utility Plant.
- Current Liabilities & Other Accrued Expenses decreased mainly due to a \$1,820,400 decrease in current lease payable for the fuel storage building discussed above and elimination of the health insurance reserve fund.
- Long-Term Liabilities decreased mainly due to a reduction in MPU's share of the Wisconsin Retirement System pension liability of \$1,690,400 (See Note 8) and \$629,500 for current portion of the fuel storage building lease liability.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

- 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, 2024

Table 2

Condensed Statements of Net Position - Water Utility

	2024	2023	Dollar Change	Percent Change
Current Assets	\$ 3,610,037	\$ 6,228,990	\$ (2,618,953)	-42.0%
Net Utility Plant	45,846,308	46,115,655	(269,347)	-0.6%
Other Assets	13,126,128	10,897,395	2,228,733	20.5%
Total Assets	62,582,473	63,242,040	(659,567)	-1.0%
Deferred Outflows - Pension	794,564	1,097,496	(302,932)	-27.6%
Deferred Outflows - OPEB	18,717	17,453	1,264	7.2%
Total Deferred Outflows of Resources	813,281	1,114,949	(301,668)	-27.1%
Current Liabilities & Other Accrued Expenses	\$ 1,537,349	\$ 1,903,615	(366,266)	-19.2%
Long Term Liabilities	404,037	592,709	(188,672)	-31.8%
Total Liabilities	1,941,386	2,496,324	(554,937)	-22.2%
Deferred Inflows - Leases	1,099,108	1,184,139	(85,031)	-7.2%
Deferred inflows - Pension	475,541	613,339	(137,798)	-22.5%
Deferred Inflows - OPEB	21,373	23,758	(2,385)	-10.0%
Total Deferred Inflows of Resources	1,596,022	1,821,236	(140,183)	-7.7%
Net Investment in Capital Assets	47,476,728	47,746,076	(269,348)	-0.6%
Restricted for Pension Benefits	230,321	191,568	38,753	20.2%
Unrestricted	12,151,297	12,101,785	49,512	0.4%
Total Net Position	\$ 59,858,346	\$ 60,039,429	\$ (181,083)	-0.3%
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 63,395,754	\$ 64,356,989	\$ (876,203)	-1.4%

Variance Explanations:

- Current Assets decreased and Other Assets increased mainly due to the \$6.3M promissory note discussed above split between Water (\$2M) and Wastewater (\$4.3M).
- Refer to Table 9 of the MD&A for explanation on changes in Net Utility Plant.
- Current Liabilities & Other Accrued Expenses decreased \$448,800 for a large watermain replacement invoice outstanding in 2023.
- Long Term Liabilities decreased mainly due to a reduction in MPU's share of the Wisconsin Retirement System pension liability of \$203,900 (See Note 8).
- 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, 2024

Table 3

Condensed Statements of Net Position – Wastewater Utility

	2024	2023	Dollar Change	Percent Change
Current Assets	\$ 8,303,832	\$ 19,539,751	\$ (11,235,919)	-57.5%
Restricted Assets	8,807,908	-	8,807,908	100.0%
Net Utility Plant	21,180,267	19,297,267	1,883,000	9.8%
Other Assets	4,450,500	1,826,371	2,624,129	143.7%
Total Assets	42,742,507	40,663,389	2,079,118	5.1%
Deferred Outflows - Pension	748,402	1,103,837	(355,435)	-32.2%
Deferred Outflows - OPEB	50,076	44,063	6,013	13.6%
Total Deferred Outflows of Resources	798,478	1,147,900	(349,422)	-30.4%
Current Liabilities & Other Accrued Expenses	\$ 1,433,246	\$ 1,886,557	(453,311)	-24.0%
Long Term Liabilities	8,953,278	7,299,852	1,653,427	22.7%
Total Liabilities	10,386,524	9,186,409	1,200,116	13.1%
Deferred inflows - Pension	447,914	616,883	(168,969)	-27.4%
Deferred Inflows - OPEB	57,181	59,978	(2,797)	-4.7%
Total Deferred Inflows of Resources	505,095	676,861	(171,766)	-25.4%
Net Investment in Capital Assets	12,199,724	12,110,013	89,711	0.7%
Restricted for Pension Benefits	216,939	192,675	24,264	12.6%
Restricted for Equipment Replacement	8,477,304	-	8,477,304	100.0%
Restricted for Debt Service	330,604	-	330,604	100.0%
Unrestricted	11,424,794	19,645,331	(8,220,537)	-41.8%
Total Net Position	\$ 32,649,365	\$ 31,948,019	\$ 701,346	2.2%
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 43,540,984	\$ 41,811,289	\$ 1,729,696	4.1%

Variance Explanations:

- Decrease in Current Assets due to transfer of funds to a restricted equipment replacement fund and debt service fund for the 2017 Clean Water Fund Loan brought over when MPU took over ownership of the WWTF in 2023. The City retained most of WWTF's cash until early 2024 and showed the restricted funds in their ACFR for 2023. Also, Current Assets decreased and Other Assets increased due to the \$6.3M promissory note discussed above split between Water (\$2M) and Wastewater (\$4.3M).
- Refer to Table 9 of the MD&A for explanation on changes in net utility plant.
- Decreased Current Liabilities & Other Accrued Expenses due to an outstanding debt payment MPU owed the City of Manitowoc at the end of 2023 for the 2017 Clean Water Fund Loan. Refer to the Long-Term Debt Activity section of the MD&A on set up of new Clean Water Fund Loan which increased Long Term Liabilities.
- 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, 2024

Table 4

Condensed Statements of Net Position – Broadband Utility

	2024	2023	Dollar Change	Percent Change
Current Assets	\$ 703,747	\$ 1,183,984	\$ (480,237)	-40.6%
Net Utility Plant	1,122,628	1,108,855	13,773	1.2%
Other Assets	1,890,115	1,043,641	846,474	81.1%
Total Assets	3,716,490	3,336,480	380,010	11.4%
Current Liabilities & Other Accrued Expenses	34,274	26,584	7,690	28.9%
Total Liabilities	34,274	26,584	7,690	28.9%
Net Investment in Capital Assets	1,122,628	1,108,855	13,773	1.2%
Unrestricted	2,559,588	2,201,041	358,547	16.3%
Total Net Position	\$ 3,682,216	\$ 3,309,896	\$ 372,320	11.2%
Total Liabilities & Net Position	\$ 3,716,490	\$ 3,336,480	\$ 380,010	11.4%

Variance Explanations:

- Refer to Table 9 of the MD&A for explanation on changes in net utility plant.
- Decrease in Current Assets and subsequent increase in Other Assets is due to the allocation of more long-term investments in 2024 as opposed to short-term. Overall, cash and investments increased \$494,000.
- Increased Current Liabilities & Other Accrued Expenses is mainly due to sales tax outstanding on a large customer Broadband installation.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Table 5

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

	2024	2023	Dollar Change	Percent Change
Operating Revenue	\$ 52,150,473	\$ 55,853,835	\$ (3,703,362)	-6.6%
Non-Operating Revenue	3,150,166	2,964,565	185,601	6.3%
Total Revenues	55,300,639	58,818,400	(3,517,761)	-6.0%
Depreciation Expense	3,361,514	3,326,342	35,172	1.1%
Other Operating Expenses	55,840,544	58,690,585	(2,850,041)	-4.9%
Non-Operating Expenses and Transfers	2,627,085	2,523,572	103,513	4.1%
Total Expenses and Transfers	61,829,143	64,540,499	(2,711,356)	-4.2%
Income Before Capital Contributions	(6,528,504)	(5,722,099)	(806,405)	14.1%
Capital Contributions	619,761	327,074	292,687	89.5%
Change in Net Position	(5,908,743)	(5,395,025)	(513,718)	9.5%
Beginning Net Position	128,072,880	133,467,905	(5,395,025)	-4.0%
Total Net Position - Ending	<u>\$ 122,164,137</u>	<u>\$ 128,072,880</u>	<u>\$ (5,908,743)</u>	-4.6%

Variance Explanations:

- Operating Revenues decreased mainly due to a decrease of \$5,298,500 in MISO sales due to low energy prices resulting in lower energy generated. Electric retail sales revenues increased \$1,424,200 with an electric rate increase that was effective 9/1/2023.
- Non-Operating Revenue increased due to an increase in merchandising and jobbing of \$386,000 mainly for technical review work completed to verify pole attachments for a new customer. Offsetting decreases to unrealized gains are \$205,100.
- Other Operating Expenses decreased due to a \$7,695,800 decrease in fuel expense from lower generation partially offset by an increase of \$1,300,000 expensed for MPU's renewable fuel project, \$2,132,900 for maintenance and outages of boiler plant and increased medical claims.
- Capital Contributions increased due mainly due to a large customer circuit reroute for \$211,100.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Table 6

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

	2024	2023	Dollar Change	Percent Change
Operating Revenue	\$ 8,275,570	\$ 7,206,886	\$ 1,068,684	14.8%
Non-Operating Revenue	358,101	523,628	(165,527)	-31.6%
Total Revenues	8,633,671	7,730,514	903,157	11.7%
Depreciation Expense	2,012,876	1,974,614	38,262	1.9%
Other Operating Expenses	6,009,293	5,221,764	787,529	15.1%
Non-Operating Expenses and Transfers	893,093	882,139	10,954	1.2%
Total Expenses and Transfers	8,915,262	8,078,517	836,745	10.4%
Income Before Capital Contributions	(281,591)	(348,003)	66,412	-19.1%
Capital Contributions	100,508	2,452,003	(2,351,495)	-95.9%
Change in Net Position	(181,083)	2,104,000	(2,285,083)	-108.6%
Beginning Net Position	60,039,429	57,935,429	2,104,000	3.6%
Total Net Position - Ending	\$ 59,858,346	\$ 60,039,429	\$ (181,083)	-0.3%

Variance Explanations:

- Operating Revenues increased \$813,800 for retail sales mainly due to the 20% increase in water rates effective 12/1/2023 as well as \$170,700 for sales to Central Brown County Water Authority (CBCWA) due to a 2.8% increase and a new customer (Denmark) coming online.
- Non-Operating Revenue decreased due to a decrease in interest income of \$20,200 and unrealized gains of \$140,000.
- Other Operating Expenses increased mainly due to \$97,100 for a Water System Capacity Study, \$130,000 for membrane replacements, an offset of \$268,500 of contributed revenues for CBCWA capital replacements now paid for by new reserve funds, as well as less overhead allocation on water meter purchases and increased watermain maintenance.
- Capital Contributions were larger in 2023 due to \$2,272,800 for the City Watermain South Phase II project. The City extended 21,000 feet of watermain outside the City limits to the Towns of Newton and Manitowoc to provide water to owners of private wells whose ability to produce safe drinking water were impacted by contamination at a property currently owned by the City.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Table 7

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

	2024	2023	Dollar Change	Percent Change
Operating Revenue	\$ 6,063,601	\$ 6,349,825	\$ (286,224)	-4.5%
Non-Operating Revenue	907,902	961,441	(53,539)	-5.6%
Total Revenues	6,971,503	7,311,266	(339,763)	-4.6%
Depreciation Expense	1,609,066	1,601,349	7,717	0.5%
Other Operating Expenses	5,095,648	4,541,157	554,491	12.2%
Non-Operating Expenses and Transfers	140,582	145,048	(4,466)	-3.1%
Total Expenses and Transfers	6,845,296	6,287,554	557,742	8.9%
Income Before Capital Contributions	126,207	1,023,712	(897,505)	-87.7%
Capital Contributions	575,139	-	575,139	100.0%
Change in Net Position	701,346	1,023,712	(322,366)	-31.5%
Beginning Net Position	31,948,019	30,924,307	1,023,712	3.3%
Total Net Position - Ending	<u>\$ 32,649,365</u>	<u>\$ 31,948,019</u>	<u>\$ 701,346</u>	2.2%

Variance Explanations:

- Operating Revenue decreased mainly due to a decrease in industrial volumes.
- Non-Operating Revenue decreased due to an increase in interest income of \$334,700 and an offsetting decrease to unrealized gains of \$282,200.
- Other Operating Expenses increased mainly due to an increase of \$111,100 in employee pension and benefits expense including increased medical claims, \$132,300 in chemicals, \$142,300 for rebuild of two digester mixing pumps, and other expense increases.
- Capital Contributions is grant money received/accrued for eligible expenses for the Stack Filter/Final Clarifier Rehabilitation project.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Table 8

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

	2024	2023	Dollar Change	Percent Change
Operating Revenue	\$ 430,697	\$ 547,925	\$ (117,228)	-21.4%
Non-Operating Revenue	102,933	77,504	25,429	32.8%
Total Revenues	533,630	625,429	(91,799)	-14.7%
Depreciation Expense	77,868	72,990	4,878	6.7%
Other Operating Expenses	56,583	104,027	(47,444)	-45.6%
Non-Operating Expenses and Transfers	26,859	26,217	642	2.4%
Total Expenses and Transfers	161,310	203,234	(41,924)	-20.6%
Change in Net Position	372,320	422,195	(49,875)	-11.8%
Beginning Net Position	3,309,896	2,887,701	422,195	14.6%
Total Net Position - Ending	<u>\$ 3,682,216</u>	<u>\$ 3,309,896</u>	<u>\$ 372,320</u>	11.2%

Variance Explanations:

- Operating Revenue decreased due to fewer Broadband installations in 2024.
- Non-Operating Revenue increased due to an increase in interest income of \$57,000 and an offsetting decrease in unrealized gains of \$32,000.
- Other Operating Expenses decreased \$30,000 for vegetation management as well as \$10,500 for patrolling the fiber optic network which occurred in 2023 but not 2024.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Net Utility Plant Activity

Table 9

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

Capital Assets - Water

	2024	2023	Dollar Change	Percent Change
Source of Supply	\$ 7,604,315	\$ 7,604,315	\$ -	0.0%
Pumping	8,993,529	8,635,917	357,612	4.1%
Water Treatment	15,667,389	15,641,733	25,656	0.2%
Transmission & Distribution	45,793,569	44,416,115	1,377,454	3.1%
General Plant	2,418,901	2,355,061	63,840	2.7%
Less Accumulated Depreciation	(34,736,176)	(32,975,262)	(1,760,914)	5.3%
Construction Work in Progress	104,782	437,775	(332,994)	-76.1%
Net Capital Assets	<u>\$ 45,846,308</u>	<u>\$ 46,115,655</u>	<u>\$ (269,347)</u>	-0.6%

Capital Assets - Wastewater

	2024	2023	Dollar Change	Percent Change
Treatment Plant	\$ 49,097,386	\$ 48,963,066	\$ 134,320	0.3%
General Plant	348,664	297,004	51,660	17.4%
Less Accumulated Depreciation	(32,844,584)	(31,395,258)	(1,449,326)	4.6%
Construction Work in Progress	4,578,801	1,432,455	3,146,346	219.6%
Net Capital Assets	<u>\$ 21,180,267</u>	<u>\$ 19,297,267</u>	<u>\$ 1,883,000</u>	9.8%

Capital Assets - Electric / Steam / Broadband

	2024	2023	Dollar Change	Percent Change
Production Plant	\$ 142,996,181	\$ 142,178,196	\$ 817,985	0.6%
Distribution Plant	49,781,148	47,594,132	2,187,016	4.6%
General Plant	12,344,926	12,072,679	272,247	2.3%
Less Accumulated Depreciation	(111,354,010)	(109,027,404)	(2,326,606)	2.1%
Construction Work in Progress	606,311	756,225	(149,914)	-19.8%
Net Capital Assets	<u>\$ 94,374,556</u>	<u>\$ 93,573,828</u>	<u>\$ 800,727</u>	0.9%

Variance Explanations:

- Increase in Water Pumping plant includes \$194,500 for High Service Pump #1 replacements, \$52,300 for Michigan Ave Pressure Reducing Valve (PRV) and Vault Replacements, \$59,200 for programmable logic controller (PLC) replacements and programming, as well as \$78,400 for Raw Water Pump Station electrical upgrades, net of retirements.
- Increase in Water Transmission and Distribution plant includes \$669,300 for routine water meter replacements as well as \$729,100 for watermain and hydrant installs and replacements including S 19th Street, Franklin Street, River Court and various other smaller replacements, net of retirements.
- Increase in Water General Plant includes a truck replacement for \$28,100, a leak detector tool for \$18,200 and other miscellaneous equipment, net of retirements.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

- Increase in Wastewater Construction Work in Progress is \$2,386,100 due to the Stack Filter/Final Clarifier Rehabilitation project, \$258,900 for the Wastewater Facility Automation project, \$204,100 for security upgrades, and \$296,600 for a sediment drying and storage pad.
- Increase in Production Plant is mainly due to \$317,100 for the Distributed Control System (DCS) process control unit replacement, \$124,400 for grounding carts, \$56,000 for Boiler 9 elevator control system upgrades and various other smaller projects, net of retirements.
- Increase in Distribution Plant includes \$395,700 for LED and street light replacements, \$582,700 for new transformers, \$59,100 for Northeast substation relays and batteries, \$198,600 for Phase 3 of the Riverpoint Development, \$154,100 for a customer's circuit reroute and new electrical phase, \$246,200 for Broadband installations, as well as several other smaller projects, net of retirements.
- Increase in General Plant includes \$80,200 for two forklifts, \$147,700 for power operated equipment including a Skid Steer, Loader, and hoist, as well as \$28,500 for an ICCP connection upgrade, net of retirements.
- Decrease in Electric, Steam, and Broadband Construction Work in Progress is mainly due to the closeout of a Northeast Substation Upgrades project for \$83,000 as well as the transfer of prior year Solar Garden expense to a deferred inflow for \$97,000. Other large projects were opened and closed out throughout the year.

Long-Term Debt Activity

The Wastewater Utility has an outstanding 2017 Clean Water Fund Loan of \$6,730,100 through 2037. In 2024, the Wastewater Utility along with the City of Manitowoc were approved for an additional Clean Water Fund loan for MPU's Stack Filter Upgrade and the City's Lift Station project. MPU accrued \$2,250,500 as of the end of 2024 for this loan. In 2023, MPU signed a lease agreement for a fuel storage building. The outstanding payments on this lease as of the end of 2024 total \$2,969,400.

Manitowoc Public Utilities

Manitowoc, Wisconsin

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

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 through October 21, 2035 to purchase 13 MWs of capacity and energy.
- MPU has an agreement with Dairyland Power Cooperative to purchase 30 MWs of ATC (around-the-clock) energy through May 31, 2028.
- 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. Energy sales are based on the MISO dispatching of MPU's generation resources either economically or for reliability.
- The ash disposal contract presently in place is through December 31, 2027.
- MPU does not buy natural gas on a forward basis.
- MPU has a Densified Fuel Pellet Supply Agreement with an initial 5-year term through December 2028 with renewal options for up to four (4) additional five (5) year terms. MPU has a second Densified Fuel Supply Agreement through March 31, 2026.
- MPU has entered into a lease agreement for a warehouse to store approximately two months supply of the densified fuel pellets.
- MPU has an approximate two-month supply of stored petroleum coke and coal as emergency fuel to support Boiler 9 operations under an SSR agreement with MISO. The SSR agreement with MISO is scheduled to terminate on October 31, 2025.
- 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 renewable fuel pellets as 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 Chief Financial Officer or Accounting & Customer Service Manager, Manitowoc Public Utilities, 1303 S 8th Street, Manitowoc, WI 54221.

General information relating to Manitowoc Public Utilities can be found at www.mpu.org.

BASIC FINANCIAL STATEMENTS

MANITOWOC PUBLIC UTILITIES

Statement of Net Position

As of December 31, 2024

With Summarized Comparative Information as of December 31, 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,403,299	\$ 14,704,706
Investments	5,922,555	11,016,604
Receivables:		
Customer Accounts Receivable, Net	10,067,917	7,500,672
Current Lease Receivable	221,939	207,912
Due from Other Governments	996,303	17,468,782
Prepaid Supplies	7,204,924	4,958,678
Prepaid Items	3,112,181	3,702,854
Total Current Assets	35,929,118	59,560,208
NON-CURRENT ASSETS		
Other Assets:		
Restricted Cash - Equipment Replacement	8,477,304	-
Restricted Cash - Debt Reserve	330,604	-
Investments	26,083,582	26,091,015
Notes Receivable	864,666	1,490,495
Notes Receivable - City of Manitowoc	7,140,606	584,257
Lease Receivable	2,891,940	3,113,879
Investment in ATC	17,011,936	16,098,729
Rate Stabilization Deposit	-	991,641
Property Held for Future Use	1,893,264	1,893,264
Nonutility Property	379,154	379,860
Total Other Assets	65,073,056	50,643,140
Capital Assets:		
Nondepreciable		
Electric	2,861,564	2,848,033
Water	361,876	694,870
Wastewater	4,915,901	1,769,555
Steam	57,610	57,610
Broadband	11,351	174,796
Total Capital Assets, Nondepreciable	8,208,302	5,544,864
Depreciable		
Electric	195,868,000	192,845,081
Water	80,220,606	78,396,045
Wastewater	49,108,950	48,922,970
Steam	4,810,257	4,802,077
Broadband	2,119,785	1,873,636
Total Capital Assets, Depreciable	332,127,598	326,839,809
Less: Accumulated Depreciation	(178,934,767)	(173,397,924)
Capital Assets Depreciable, Net	153,192,831	153,441,885
Total Capital Assets	161,401,133	158,986,749
Total Non-Current Assets	226,474,189	209,629,889
TOTAL ASSETS	262,403,307	269,190,097
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	7,200,113	10,910,979
Other Postemployment Related Amounts - Cost-Sharing Plan	368,019	282,406
Asset Retirement Obligations	10,399,999	11,266,666
Deferred Regulatory Asset - Solar	230,578	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,198,709	22,519,246

See Accompanying Notes

MANITOWOC PUBLIC UTILITIES
Statement of Net Position
As of December 31, 2024
With Summarized Comparative Information as of December 31, 2023

	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	4,522,888	6,310,091
Accrued and Other Current Liabilities	1,324,327	1,459,896
Other Liabilities	716,666	916,666
Compensated Absences	1,316,151	879,953
Due to Other Governments	3,771,765	3,570,310
Customer Deposits	1,559,619	1,348,821
Current Portion of Long-Term Obligations	1,094,701	457,204
Total Current Liabilities	14,306,117	17,392,765
NON-CURRENT LIABILITIES		
Compensated Absences	1,586,728	1,774,273
Net Pension Liability	803,791	2,908,832
Asset Retirement Obligations	26,000,000	26,000,000
Other Postemployment Benefits - Cost-Sharing Plan	852,767	653,683
Noncurrent Portion of Long-Term Obligations	10,855,215	12,149,248
Total Non-Current Liabilities	40,098,501	41,061,943
TOTAL LIABILITIES	54,404,618	58,454,708
DEFERRED INFLOWS OF RESOURCES		
Lease Receivable	3,113,879	3,321,791
Pension Related Amounts	4,309,218	6,097,633
Other Postemployment Related Amounts - Cost-Sharing Plan	420,236	461,688
TOTAL DEFERRED INFLOWS OF RESOURCES	7,843,333	9,884,410
NET POSITION		
Net Investment in Capital Assets	151,723,635	148,653,421
Restricted for:		
Pension Benefits	2,087,104	1,904,514
Equipment Replacement	8,477,304	-
Debt Reserve	330,604	-
Unrestricted	55,735,418	72,812,290
TOTAL NET POSITION	\$ 218,354,065	\$ 223,370,225

MANITOWOC PUBLIC UTILITIES

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2024

With Summarized Comparative Information for the Year Ended December 31, 2023

	2024	2023
OPERATING REVENUES		
Charges for Services:		
Electric	\$ 50,614,427	\$ 54,244,701
Water	8,275,570	7,206,886
Wastewater	6,063,601	6,349,825
Steam	1,536,046	1,609,134
Broadband	430,697	547,925
Total Operating Revenues	66,920,341	69,958,471
OPERATING EXPENSES		
Water Supply and Distribution	3,896,091	3,499,611
Electric Supply and Distribution	45,320,809	48,952,177
Wastewater Supply and Distribution	3,139,820	2,851,764
Steam Supply and Distribution	1,452,764	1,583,829
Broadband	50,333	99,037
Customer Accounts	1,727,454	1,593,709
Administrative and General	9,307,771	8,316,302
Depreciation	7,061,324	6,975,295
Amortization of Asset Retirement Obligation	866,667	866,667
Taxes	1,240,359	794,437
Total Operating Expenses	74,063,392	75,532,828
OPERATING LOSS	(7,143,051)	(5,574,357)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	3,439,456	3,732,314
Unrealized Gains	893,262	987,599
Merchandising, Jobbing and Other Nonoperating Expense	186,384	(192,774)
Interest and Fiscal Charges	(221,080)	(163,369)
Other Nonoperating Expenses	(706)	(706)
Total Non-Operating Revenues (Expenses)	4,297,316	4,363,064
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(2,845,735)	(1,211,293)
CAPITAL CONTRIBUTIONS	1,295,408	2,779,077
TRANSFERS - TAX EQUIVALENTS	(3,465,833)	(3,412,901)
CHANGE IN NET POSITION	(5,016,160)	29,079,190
TOTAL NET POSITION - BEGINNING	223,370,225	194,291,035
TOTAL NET POSITION - ENDING	\$ 218,354,065	\$ 223,370,225

See Accompanying Notes

MANITOWOC PUBLIC UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2024
With Summarized Comparative Information for the Year Ended December 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$ 63,731,125	\$ 70,844,517
Paid for Employee Wages and Benefits	(6,756,276)	(5,375,747)
Received from Municipality	12,697,012	(321,852)
Paid to Suppliers for Goods and Services	(61,560,787)	(59,979,107)
Net Cash Flows From Operating Activities	<u>8,111,074</u>	<u>5,167,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Lead Service/Economic Development Loans Paid Out	86,802	(96,663)
Received on Note from City of Manitowoc	989,535	(126,076)
Note to City of Manitowoc	(3,063,065)	-
Deposit from (to) Others	991,641	2,797,003
Transfer to City of Manitowoc	(3,465,833)	(3,412,901)
Net Cash Flows From Noncapital Financing Activities	<u>(4,460,920)</u>	<u>(838,637)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(12,135,489)	(10,590,132)
Capital Contributions	1,295,408	2,779,077
Salvage Received on Capital Assets	207,987	193,029
Cost of Removal of Capital Assets	(392,262)	(600,072)
Proceeds on Long-Term Debt	2,250,492	-
Principal Paid on Long-Term Debt	(2,907,028)	(449,297)
Interest Paid on Long-Term Debt	(409,080)	(241,703)
Net Cash Flows From Capital and Related Financing Activities	<u>(12,089,972)</u>	<u>(8,909,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	4,332,718	4,661,396
Cash Paid to ATC LLC	(913,207)	(1,041,002)
Purchase of Investments	(10,667,241)	(12,991,864)
Proceeds from Maturity of Investments	13,100,000	3,285,000
Net Cash Flows From Investing Activities	<u>5,852,270</u>	<u>(6,086,470)</u>
NET CHANGE IN CASH AND INVESTMENTS	(2,587,548)	(10,666,394)
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>25,721,310</u>	<u>36,387,704</u>
CASH AND INVESTMENTS - END OF YEAR	<u><u>\$ 23,133,762</u></u>	<u><u>\$ 25,721,310</u></u>

MANITOWOC PUBLIC UTILITIES

Statement of Cash Flows

For the Year Ended December 31, 2024

With Summarized Comparative Information for the Year Ended December 31, 2023

**RECONCILIATION OF OPERATING LOSS TO
NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (7,143,051)	\$ (5,574,357)
Noncash Items Included in Operating Loss:		
Depreciation	7,061,324	6,975,295
Depreciation Charged to Operating Accounts	192,773	-
Amortization of Asset Retirement Obligation	866,667	866,667
Changes in Deferred Outflows and Inflows of Resources:		
Deferred Outflows Related to Pension	3,710,866	(2,481,451)
Deferred Inflows Related to Pension	(1,788,415)	(4,041,019)
Deferred Outflows Related to OPEB - Cost-Sharing Plan	(85,613)	(21,418)
Deferred Inflows Related to OPEB - Cost-Sharing Plan	(41,452)	371,809
Deferred Outflows Related to OPEB - Single-Employer	59,195	39,284
Deferred Inflows Related to OPEB - Single-Employer	(3,298)	(48,563)
Changes in Assets and Liabilities:		
Customer Accounts Receivable, Net	(738,432)	855,018
Due from Other Governments	13,015,044	1,193,273
Prepaid Supplies and Other Items	(3,484,386)	(1,902,331)
Accounts Payable	(1,758,315)	1,684,391
Accrued and Other Current Liabilities	(135,569)	344,321
Other Liabilities	(12,000)	(5,000)
Due to Other Governments	(318,411)	(862,215)
Customer Deposits	210,798	362,408
Compensated Absences	248,653	475,747
Net Pension Liability	(2,105,041)	2,908,832
Net OPEB Liability - Cost-Sharing Plan	199,084	(46,149)
Net OPEB Liability - Single-Employer	(25,731)	(203,151)
Merchandising and Jobbing	186,384	(30,351)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 8,111,074	\$ 5,167,811

**RECONCILIATION OF CASH AND INVESTMENTS TO THE
STATEMENTS OF NET POSITION**

Cash	\$ 8,403,299	\$ 14,704,706
Investments	5,922,555	11,016,604
Restricted Cash	8,807,908	-
TOTAL CASH AND INVESTMENTS	\$ 23,133,762	\$ 25,721,310

NONCASH CAPITAL FINANCING ACTIVITIES

Long-Term Building Lease	\$ -	\$ 5,419,197
--------------------------	------	--------------

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

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, wastewater, 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 information 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.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

Cash and Investments

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

Receivables and Payables

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

MPU has the right under Wisconsin statutes to place delinquent water and wastewater bills on the tax roll for collection. An allowance for uncollectible accounts of \$51,500 has been provided for electric, water, and wastewater 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 \$17,011,936 as of December 31, 2024, and is reported on the statement of net position as other assets.

Nonutility Property and Property Held for Future Use

Nonutility property and property held for future use consists of land and improvements and is valued at cost of acquisition, demolition, and site improvements. Properties includes both land intended for future use, land designated as a public area and plant not currently being used in operations. Assets are recorded at acquisition cost.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Compensated Absences

MPU adopted GASB Statement No. 101 for the year ended December 31, 2024, which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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.

Other Post-Employment Benefits (OPEB). The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring following:

- Net OPEB Liability
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits
- OPEB Expense (Revenue)

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

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Leases

MPU follows GASB Statement No. 87 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.

Subscription-Based Information Technology Agreements

MPU follows GASB Statement No. 96, which requires recognition in the financial statements of certain subscription-based information technology agreements (SBITAs). A SBITA is any contract conveying control of the right to use another party's information technology software. This statement requires MPU to report a right-to-use subscription asset and corresponding subscription liability for any SBITAs. There were no material SBITAs that were required to be recorded for the year ended December 31, 2024.

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 September 1, 2023, the PSC approved new rates but subsequent to year-end a 2023 corrective order came into effect as of February 9, 2024. The new rates are designed to provide a 5% rate of return.

Water – The Public Service Commission of Wisconsin approved the water rates on December 1, 2023 for the water utility which are designed to provide a 6.3% 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.

Wastewater – The current rates to these customers were approved by resolution by the City Council.

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.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position is classified into three components defined as follows:

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

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

Use of Estimates

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

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 2 - Cash and Investments (Continued)

The carrying amount of MPU's cash and investments totaled \$49,217,343 on December 31, 2024 are as follows:

Petty Cash and Cash on Hand	\$	750
Deposits With Financial Institutions		8,402,549
Investments		40,814,045
	\$	<u>49,217,344</u>
Reconciliation to the Financial Statements		
Statement of Net Position:		
Cash	\$	8,403,299
Current Investments		14,730,463
Non-current Investments		26,083,582
	\$	<u>49,217,344</u>

Custodial Credit Risk

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

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

The following represents a summary of deposits as of December 31, 2024:

Full Insured Deposits	\$	787,538
Collateralized		<u>8,906,565</u>
	\$	<u>9,694,103</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.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 2 - Cash and Investments (Continued)

As of December 31, 2024, MPU's credit quality ratings are as follows:

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A	Not Rated
U.S. Treasury Notes	\$ 3,639,494	\$ -	\$ 3,639,494	\$ -	\$ -	\$ -
U.S. Agencies	749,633	749,633	-	-	-	-
Money Market Mutual Funds	3,471,745	-	-	3,471,745	-	-
Corporate Bonds and Notes	18,080,869	-	4,908,997	11,984,889	1,186,983	-
Federal Agency Securities	14,872,304	-	14,392,835	479,469	-	-
	<u>\$ 40,814,045</u>	<u>\$ 749,633</u>	<u>\$ 22,941,326</u>	<u>\$ 15,936,103</u>	<u>\$ 1,186,983</u>	<u>\$ -</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount	Percentage of Total investments
Federal National Mortgage	Federal Agency Securities	\$ 5,417,636	13%
Federal Home Loan Bank	Federal Agency Securities	4,659,204	11%

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, 2024, 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	\$ 3,639,494	\$ -	\$ 2,591,338	\$ 1,048,156	\$ -
U.S. Agencies	749,633	749,633	-	-	-
Money Market Mutual Funds	3,471,745	3,471,745	-	-	-
Corporate Bonds and Notes	18,080,869	4,627,847	8,783,792	3,731,460	937,770
Federal National Mortgage	5,417,636	1,953,311	1,964,082	1,500,243	-
Federal Home Loan Bank	4,659,204	2,466,490	959,385	1,233,329	-
Federal Home Loan Mortgage	2,084,553	485,202	-	1,599,351	-
Federal Farm Credit Bureau	2,710,911	976,235	240,249	488,823	1,005,604
	<u>\$ 40,814,045</u>	<u>\$ 14,730,463</u>	<u>\$ 14,538,846</u>	<u>\$ 9,601,362</u>	<u>\$ 1,943,374</u>

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

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 than 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.	\$ 14,872,304

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, 2024 MPU had the following investments at fair value:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments:			
U.S. Treasury Securities	\$ -	\$ 3,639,494	\$ -
U.S. Agencies	-	749,633	-
Money Market Mutual Funds	3,471,745	-	-
Corporate Bonds and Notes	-	18,080,869	-
State and Municipal Bonds	-	-	-
Federal National Mortgage	-	5,417,636	-
Federal Home Loan Bank	-	4,659,204	-
Federal Home Loan Mortgage	-	2,084,553	-
Federal Farm Credit Bureau	-	2,710,911	-
Total	\$ 3,471,745	\$ 37,342,300	\$ -

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 3 - Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances as of December 31, 2024:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
MPU	Municipality	<u>\$ 620,106</u>	Land Purchase

MPU issued the City a \$6,300,000 three year promissory note at an annual interest rate of 5.25% for the City to purchase blighted property. The City intends to repay this loan in full during 2025.

Interfund transfers for the year ended December 31, 2024 in the amount of \$3,465,833 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 2024 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, not being Depreciated:				
Land	\$ 2,918,409	\$ -	\$ -	\$ 2,918,409
Construction in Progress	2,626,455	9,450,642	6,787,204	5,289,893
Total Capital Assets Not Being Depreciated	<u>5,544,864</u>	<u>9,450,642</u>	<u>6,787,204</u>	<u>8,208,302</u>
Capital Assets Being Depreciated:				
Buildings	74,105,984	177,375	81,983	74,201,376
Improvement Other Than Buildings	159,997,764	2,727,502	794,559	161,930,707
Infrastructure	92,736,061	3,911,270	651,816	95,995,515
Total Capital Assets Being Depreciated	<u>326,839,809</u>	<u>6,816,147</u>	<u>1,528,358</u>	<u>332,127,598</u>
Less Accumulated Depreciation:				
Buildings	(40,129,600)	(1,817,454)	(87,224)	(41,859,830)
Improvements Other Than Buildings	(97,905,723)	(3,035,196)	(805,087)	(100,135,832)
Infrastructure	(35,362,601)	(2,604,813)	(1,028,309)	(36,939,105)
Total Accumulated Depreciation	<u>(173,397,924)</u>	<u>(7,457,463)</u>	<u>(1,920,620)</u>	<u>(178,934,767)</u>
Total Capital Assets, Net of Depreciation	<u>153,441,885</u>	<u>(641,316)</u>	<u>(392,262)</u>	<u>153,192,831</u>
NET CAPITAL ASSETS	<u><u>\$ 158,986,749</u></u>	<u><u>\$ 8,809,326</u></u>	<u><u>\$ 6,394,942</u></u>	<u><u>\$ 161,401,133</u></u>

Depreciation expense was charged to functions of MPU as follows:

Business-Type Activities:	
Water Utility	\$ 2,012,876
Sewer Utility	1,609,066
Electric Utility	3,314,725
Steam Utility	51,410
Broadband	73,247
Total Depreciation Expense	<u>7,061,324</u>
Depreciation Charged to Sewer Utility for Shared Meter Expense	188,152
Salvage Charged to Accumulated Depreciation	<u>207,987</u>
Total Increase in Accumulated Depreciation Above	<u><u>\$ 7,457,463</u></u>

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

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 12 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 \$10,399,999 as of December 31, 2024. Current year amortization amounted to \$866,667.

Note 6 - Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended December 31, 2024:

	Outstanding 1/1/2024	Increase	Decrease	Outstanding 12/31/2024	Due Within One Year
Business-Type Activities					
General Obligation Debt			-		
Clean Water Loan Fund	\$ 7,187,255	\$ -	\$ 457,204	\$ 6,730,051	\$ 465,251
Building Note	5,419,197	-	2,449,824	2,969,373	629,450
Clean Water Fund Loan	-	2,250,492	-	2,250,492	-
Compensated Absences	2,654,226	248,653	-	2,902,879	1,316,151
Total Business Activity					
Long-Term Liabilities	<u>\$ 15,260,678</u>	<u>\$ 2,499,145</u>	<u>\$ 2,907,028</u>	<u>\$ 14,852,795</u>	<u>\$ 2,410,852</u>

	Date of Issuance	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2024
Business Type Activities					
Long-Term Obligations					
2017 Clean Water Fund Loan	12/13/17	05/01/37	1.76%	\$ 9,346,760	\$ 6,730,051
2024 Clean Water Fund Loan	11/27/24	05/01/44	2.20%	13,774,848	2,902,879
Building Note	12/31/23	12/31/27	8.00%	5,419,197	2,969,373
Total Business-Type Activities Long-Term Obligations					<u>\$ 12,602,303</u>

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 6 - Long-Term Obligations (Continued)

Principal and maturities for long-term obligations at December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 1,094,701	\$ 378,672	\$ 1,473,373
2026	1,153,246	324,575	1,477,821
2027	2,253,158	335,140	2,588,298
2028	602,955	118,252	721,207
2029	613,051	108,064	721,115
2030-2034	3,223,251	390,885	3,614,136
2035-2039	2,327,069	117,460	2,444,529
2040-2044	682,485	26,314	708,799
	<u>\$ 11,949,916</u>	<u>\$ 1,799,362</u>	<u>\$ 13,749,278</u>

Note 7 - Net Position

Net position reported on the statement of net position at December 31, 2024 include the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 161,401,133
Property Held for Future Use	1,893,264
Investment in Nonutility Plant - Net	379,154
Less: Related Long-Term Debt Outstanding	(11,949,916)
Net Investment in Capital	<u>151,723,635</u>
Net Position Restricted For:	
Equipment Replacement	8,477,304
Debt Reserve	330,604
Pension	2,087,104
Total Restricted	<u>10,895,012</u>
Unrestricted	<u>55,735,418</u>
Total Net Position	<u>\$ 218,354,065</u>

Note 8 - 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.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 8 - Defined Benefit Pension Plan (Continued)

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.

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>
2014	4.7%	25.0%
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)

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

During the reporting period, the WRS recognized \$806,162 in contributions from MPU.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 8 - Defined Benefit Pension Plan (Continued)

Contribution rates as of December 31, 2024 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including executives and elected officials)	6.90%	6.90%

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

At December 31, 2024, MPU reported an liability of \$803,791 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023. 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 liability was based on MPU's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2024, MPU's proportion was 0.05406163% which was a decrease of 0.00084578% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2024, MPU recognized pension expense of \$550,262.

At December 31, 2024 MPU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experiences	\$ 3,240,878	\$ 4,292,564
Changes in assumptions	350,350	-
Net differences between projected and actual earnings on pension plan investments	2,801,083	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,640	16,654
Employer contributions subsequent to the measurement date	806,162	-
Total	<u>\$ 7,200,113</u>	<u>\$ 4,309,218</u>

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 8 - Defined Benefit Pension Plan (Continued)

The \$806,162 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 year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 425,109
2026	446,575
2027	1,753,810
2028	(540,761)
	<u>\$ 2,084,733</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2022
Measurement Date of Net Pension Liability (Asset):	December 31, 2023
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
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. The total pension liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2022 actuarial valuation.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 8 - Defined Benefit Pension Plan (Continued)

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

Asset Allocation Targets and Expected Returns¹ As of December 31, 2023

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % ²
Public Equity	40%	7.3%	4.5%
Public Fixed Income	27	5.8	3.0
Inflation Sensitive	19	4.4	1.7
Real Estate	8	5.8	3.0
Private Equity/Debt	18	9.6	6.7
Leverage ³	(12)	3.7	1.0
Total Core Fund	112% *	7.4%	4.6%
Variable Fund Asset Class			
U.S. Equities	70%	6.8%	4.0%
International Equities	30	7.6	4.8
Total Variable Fund	100%	7.3%	4.5%

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

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

³The 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 12% policy leverage is used, subject to an allowable range of up to 20%.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 8 - Defined Benefit Pension Plan (Continued)

Single Discount Rate. A single discount rate of 6.8% was used to measure the total pension liability for the current year and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 4.05% (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, 2023. 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)	\$ 7,769,033	\$ 803,791	\$ (4,070,083)

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 \$117,278 as of December 31, 2024.

Note 9 - Post-Employment Benefits Other Than Pension Benefits

Local Retiree Life Insurance Fund (LRLIF)

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.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 9 - Post-Employment Benefits Other Than Pension Benefits (continued)

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, 2024 are:

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

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2023 are as listed below:

**Life Insurance
Member Contribution Rates ***
For the Year Ended December 31, 2023

<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 \$4,111 in contributions from MPU.

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

At December 31, 2024, MPU reported a liability of \$852,767, respectively for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 rolled forward to December 31, 2023. 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, 2023, MPU's proportion was .18535774%, which was an increase of 0.01377967% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2024, MPU recognized OPEB expense of \$79,619.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 9 - Post-Employment Benefits Other Than Pension Benefits (Continued)

At December 31, 2024, MPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experiences	\$ -	\$ 75,472
Changes in assumptions	266,753	335,802
Net differences between projected and actual earnings on OPEB plan investments	11,520	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,635	8,962
Employer contributions subsequent to the measurement date	4,111	-
Total	<u>\$ 368,019</u>	<u>\$ 420,236</u>

The \$4,111 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 7,638
2026	18,039
2027	(17,903)
2028	(44,337)
2029	(38,659)
Thereafter	18,894
	<u>\$ (56,328)</u>

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 9 - Post-Employment Benefits Other Than Pension Benefits (Continued)

Actuarial Assumptions. The total OPEB liability in the January 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2023
Measurement Date of Net OPEB Liability:	December 31, 2023
Experience Study:	January 1, 2018 – December 31, 2020, Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	3.26%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.32%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO index.

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. The total OPEB liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the January 1, 2023 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, 2023

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	50%	2.32%
U.S. Mortgages	Bloomberg U.S. MBS	50	2.52
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 remained unchanged from the prior year at 2.30%.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 9 - Post-Employment Benefits Other Than Pension Benefits (Continued)

Single Discount Rate. A single discount rate of 3.32% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.76% for the prior year. The change in the discount rate was primarily caused by the decrease in the municipal bond rate from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023. 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 3.32 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 (2.32 percent) or 1-percentage-point higher (4.32 percent) than the current rate:

	1% Decrease to Discount Rate (2.32%)	Current Discount Rate (3.32%)	1% Increase to Discount Rate (4.32%)
MPU's Proportionate Share of the Net OPEB Liability	\$ 1,145,811	\$ 852,767	\$ 629,079

Payables to the OPEB Plan. As of December 31, 2024, MPU had no outstanding payables to the OPEB plan.

Note 10 - 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.

	2023	2022	AVG	150 Days
Water	\$ 6,058,750	\$ 6,012,321	\$ 6,035,536	\$ 2,480,357
Electric	56,552,588	70,138,611	63,345,600	26,032,438
Steam	1,701,624	2,362,002	2,031,813	834,992
Information Technology	-	1,186,566	593,283	243,815
Broadband	130,245	101,651	115,948	47,650
Sewer	4,639,954	-	4,639,954	1,906,830

As of December 31, 2024, MPU has funded its reserves at 150 days and complied with Commission resolution of at least 120 days.

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 11 - Risk Management

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

Note 12 - Major Power Supply Contract Activities

MPU is a summer peaking utility. MPU continues to pursue its Manitowoc Renewable Refuel Project which entails refueling two existing circulating fluidized bed boilers – Boilers 8 & 9 – from burning primarily fossil fuels, such as coal and petroleum coke, to burning 100% Wisconsin-recognized renewable densified fuel pellets. To support that transition, MPU entered into two power supply contracts with Dairyland Power Cooperative for power supply. The first contract is for 30 MWs of on-peak (M-F, 7am – 10 pm) energy for 2023 and 2024. The second contract was for 30 MWs of ATC (around-the-clock) energy for 2023 thru 2027. MPU continues to receive 13 MWs of capacity and ATC energy from Great Lakes Utilities.

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, 2024 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, 2024 is \$43,366 with a 3.00% annual increase. MPU leases equipment in regards to a paper pellet purchase and supply agreement. This lease had an initial term of 5 years. The monthly payment is \$20,522. For the year ended December 31, 2024, MPU recognized \$357,028 in lease revenue (including interest) related to these agreements. At December 31, 2024, MPU recorded a \$3,113,879 lease receivables and deferred inflows of resources for these arrangements.

	Beginning Balances			Ending Balances
Leases Receivable	January 1, 2024	Additions	Reductions	December 31, 2024
Water Tower - 1997	\$ 523,038	\$ -	\$ 48,685	\$ 474,353
Water Tower - 2002	661,101	-	36,346	624,755
Shredder Equipment	2,137,652	-	122,881	2,014,771
Total	<u>\$ 3,321,791</u>	<u>\$ -</u>	<u>\$ 207,912</u>	<u>\$ 3,113,879</u>

MANITOWOC PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2024

Note 13 - Leases (Continued)

Remaining amounts to be received associated with these leases at December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 221,939	\$ 160,109	\$ 382,048
2026	236,763	144,311	381,074
2027	252,432	127,603	380,035
2028	251,729	139,123	390,852
2029	268,798	120,875	389,673
2030-2034	1,459,165	319,814	1,778,979
2035-2038	423,053	21,536	444,589
Total	<u>\$ 3,113,879</u>	<u>\$ 1,033,371</u>	<u>\$ 4,147,250</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
12/31/2023	0.05406163%	\$ 803,791	\$ 11,265,426	7.14%	98.85%
12/31/2022	0.05490741%	2,908,832	9,309,538	31.25%	95.72%
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
12/31/2024	\$ 806,162	\$ 806,162	\$ -	\$ 11,824,147	6.82%
12/31/2023	761,474	605,120	-	11,265,426	6.76%
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
12/31/2023	0.18535774%	\$ 852,767	\$ 9,948,000	8.57%	33.90%
12/31/2022	0.17157807%	653,683	6,230,669	10.49%	38.81%
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
12/31/2024	\$ 4,111	\$ 4,111	\$ -	\$ 10,279,786	0.04%
12/31/2023	3,839	3,839	-	9,948,000	0.04%
12/31/2022	2,715	2,715	-	6,230,669	0.04%
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%

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.

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.