

COMMUNITY OWNED.

CUSTOMER FOCUSED.



# **OUR MISSION**

We deliver competitive, safe, and reliable utility services, supporting the communities we serve.

# **OUR VISION**

We are the trusted partner of our community, the future for our employees, and the leader in our industry.

# **OUR VALUES**

Integrity, Visionary, Collaboration

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# LETTER FROM

# **MANAGEMENT**

On an annual basis, Manitowoc Public Utilities (MPU) engages in strategic planning. The Executive Leadership Team and members of the Commission meet to establish a rolling 5-year roadmap of outcomes and supporting action plans. The roadmap of outcomes is adopted annually by the Commission preceding the annual development of a rolling 5-year business plan and annual budget. This culture of strategic planning provides the Commission opportunity to focus the organizational efforts and resources while allowing the flexibility to evolve as need be.

Through this process the Commission has consistently reaffirmed a focus on workplace culture and investing in the development of employees. They see that the sustainable success of the organization does not come through the assets that we own, but rather through the people we employ.

With workplace culture as an area of focus, the Commission adopted roadmap included the development of a MPU Academy. At the core, the Academy is about investing in our employees and developing future leaders. The Academy includes both soft-skills development as well as MPU and industry specific learning opportunities. Academy graduates develop a wholistic understanding of MPU and appreciation for how all the pieces fit together to provide value to our community; additionally, they learn through participation the values and characteristics to be an everyday leader.

We know that when our employees grow, the organization grows. We are so proud of our employees for the many ways in which they contribute to the success of our community-owned utility. And we are excited to intentionally and proactively build the workplace culture that invests in our future through our employees today.

Troy Adams, P.E. General Manager



**TROY ADAMS** General Manager





# KEY I ACCOMPLISHMENTS

IN 2024

Our initiatives are aligned under five strategic Areas of Focus: Workplace Culture, Operational Excellence, Financial Excellence, Customer's Experience, and Governance/Management Excellence.

# **WORKPLACE CULTURE**

We will focus on strengthening the culture of a unified organization through intentional evolution in our structure, competencies, development, and succession for our future workforce.

# **MPU ACADEMY**

With a focus on succession planning and employee development, the MPU Academy was created. This 7-session program is a combination of leadership lessons taught by a leadership coach and organization specific sessions taught by MPU leaders and subject matter experts. This application-based program will be offered on an annual basis for a limited number of participants. We know that when leaders grow, the organization grows, and we're committed to providing development opportunities for our employees.

# **OPERATIONAL EXCELLENCE**

We will mitigate risks in an ever-changing environment of regulations, markets, technology, and resiliency of utility operations while being financially responsible.

# **COMMUNITY SOLAR GARDEN**

MPU's first community solar garden facility went live in December 2024! The Public Service Commission of Wisconsin (PSCW) approved a tariff to allow MPU, in conjunction with a developer, to build a 1,500 KW community solar garden facility. While there are other community solar gardens in Wisconsin, the innovative way this subscription-based program was designed makes it a first-of-its-kind program. We're excited for

customers to experience the benefits of solar generation over the life of this 20-year program.

# PRIVATE LEAD SERVICE LINE (LSL) REPLACEMENT PROGRAM

As part of the Environmental Protection Agency's (EPA) Lead Service Line Accelerator Program, MPU was awarded funding to assist in private LSL replacements within seven census tracts in the City of Manitowoc. MPU staff assisted with 547 lead service line replacements throughout the awarded census tracts. Additional funding was sought for 2025.

# MANITOWOC REFUEL RENEWABLE PROJECT

For the past few years, MPU has been refueling our two power plant boilers from burning fossil fuels to burning Wisconsin-recognized renewable fuel pellets. We've seen great success operationally, but to run at full output, we need more fuel. We were able to facilitate long-term supply agreements (LTSA) with our two pellet suppliers securing additional fuel to run both boilers. While these LTSAs will not get us to the full 18,000 tons/month needed, this is a significant milestone in securing enough fuel.

# WASTEWATER TREATMENT FACILITY (WWTF) STACK FILTER & CLARIFIER REHAB PROJECT

The WWTF began work on a significant upgrade project. A Master Plan study was conducted in 2022 identifying a critical need for the nearly 50-year-old Stack Filters and Final Clarifiers to be updated. Bidding work for this project was conducted in 2024 with construction anticipated to begin in 2025.

# FINANCIAL EXCELLENCE

We will focus on community growth to add greater value to those we serve while maintaining financial stability with competitive rates.

# **SEWER TREATMENT RATE MODEL**

The Wastewater Treatment Facility was transferred from the City of Manitowoc to MPU in 2023. Sewer rates are billed on MPU's utility bills and the rate is split into two parts: collection and treatment. Collection rates are set by the City of Manitowoc Common Council and treatment rates are set by the MPU Commission. To effectively analyze treatment rates, a sewer rate model was created to review rates internally going forward. A 12% increase will be implemented on April 1, 2025.

# **STEAM RATES**

MPU provides low-pressure steam directly to five customers in downtown Manitowoc via the district heating loop. The steam is also used to heat a water circuit supplying hot water to four additional customers. As inflationary costs have risen, MPU implemented a steam rate increase of 6.8% that was effective April 1, 2024.

# **CUSTOMER'S EXPERIENCE**

We will be the standard of customer service and engagement through innovation, stewardship, community involvement, and expertise.

# **AFTER-HOURS CALL CENTER**

MPU transitioned to a new after-hours call center. This center provides limited customer service options after-hours as well as outage/emergency dispatching. We know that our customers have needs outside of our office hours and wanted to provide a customer service option during evenings and weekends.

# **NET PROMOTER SCORE**

Feedback is critical to understanding how best we can serve our customers. Working with a third-party, a customer feedback survey tool was rolled out that will give MPU a Net Promoter Score (NPS) after customer interactions. This will be continually analyzed and built upon as we receive more responses.

# WATER METER AUTOMATED METER READING

As part of a strategic initiative to upgrade our water meter reading technology, MPU has employees working throughout the city installing water meter encoder receiver transmitters (ERT) in homes and businesses. This upgraded technology will allow MPU to read every water meter every month alleviating estimated bills every other month for our customers.

# GOVERNANCE/ **MANAGEMENT EXCELLENCE**

# CORPORATE GOALS

The MPU Executive Leadership team, in collaboration with the MPU Commission, worked with a third-party to identify three main corporate goals: Operations & Maintenance Budget, Capital Budget, and Employee Engagement.

# MISSION, VISION, **AND VALUES**

In 2023, the MPU Commission adopted a comprehensive Commission Policy Manual which documents purpose, governance style and role, and relationship between governance and management. One of the policies outlines MPU's Organizational Purpose; our mission, vision, values, and fundamental objectives. These statements are our 'True North' guiding policy and decision making throughout the organization. As part of the creation of the Commission Policy Manual, and during annual strategic planning, the Commission revised these statements to reflect our evolution and growth as an organization. These statements were thoughtfully crafted to embody who we are, what we do, and how we do it.

Community is at the heart of our mission and vision. We're proud to be our community's utility service provider and we look forward to continuing to provide competitive, safe, and reliable services for years to come.



# MISSION:

We deliver competitive, safe, and reliable utility services, supporting the communities we serve.

# **VISION:**

We are the trusted partner of our community, the future for our employees, and the leader in our industry.

### **VALUES:**

Integrity, Visionary, Collaboration



# PLANNED ACTIVITIES

FOR 2025

Our initiatives are aligned under five strategic Areas of Focus: Workplace Culture, Operational Excellence, Financial Excellence, Customer's Experience, and Governance/Management Excellence.

# **WORKPLACE CULTURE**

# **MULTI-GENERATIONAL WORKFORCE**

To better understand the multiple generations within our organization, staff will be seeking feedback regarding the ways in which we communicate internally. Feedback will be analyzed and processes established to ensure we are communicating with our employees in a way that serves them well.

# **OPERATIONAL EXCELLENCE**

# **FUEL HANDLING SYSTEM UPGRADES**

Since MPU has transitioned away from burning fossil fuels in our power plant boilers and is now burning renewable fuel pellets, the fuel handling system within the plant needs to be upgraded to best handle this new fuel. A fuel handling study will be completed with design work initiated following the study's recommendations.

# LED STREET LIGHT CONVERSION

Over the last 4 years, Electric Distribution has been working to convert all street lights to LED. The final lights are expected to be converted by the end of 2025. This conversion will provide consistent, updated lighting throughout the community.

# WATER TREATMENT PLANT CAPACITY

Utilizing the Master Plan for the Water Treatment Plant, an engineering firm will be hired to create a preliminary design and report for additional Water Treatment Plant capacity. The final report will be submitted to the Wisconsin Department of Natural Resources and the Public Service Commission of Wisconsin for approval.

# PRIVATE LEAD SERVICE LINE (LSL) REPLACEMENT PROGRAM

Similar to 2024, MPU applied for Wisconsin Department of Natural Resources Safe Drinking Water Loan funds to assist homeowners in replacing their private LSLs. With a focus on disadvantaged census tracts and neighborhoods, \$5.5M was awarded for 2025. Staff will work with the awarded contractors and LSL homeowners to utilize these funds for replacements.

# WASTEWATER TREATMENT FACILITY (WWTF) STACK FILTER & CLARIFIER REHAB PROJECT

A WWTF Master Plan Study identified a critical need for the nearly 50-year-old Stack Filters and Final Clarifiers to be upgraded. Equipment associated with both of these processes is crucial to producing permit-compliant effluent. The stack filters provide most of the wastewater treatment and the final clarifiers remove suspended solids before the

treated water is discharged to Lake Michigan. Construction commenced on this significant upgrade project and is expected to be completed by the end of 2026.

# FINANCIAL EXCELLENCE

# **ELECTRIC RATE CASE**

Due to rising inflationary and power supply costs, staff will be submitting an electric rate case to the Public Service Commission of Wisconsin (PSCW) requesting an increase. This is planned to be submitted within the first half of the year with an effective date expected towards the end of 2025 or early 2026.

# **CUSTOMER'S EXPERIENCE**

# **ONLINE CUSTOMER PORTAL TRANSITION**

In an effort to provide improved functionality and expanded options for our customers, MPU will be transitioning to a new "My Account" online customer portal. This will also provide customers an opportunity to download a "My Account" app, which will provide customers with easy access to their usage, including analysis tools, bill history, and quick payment options.

# **OUTAGE MANAGEMENT SYSTEM**

MPU is continually seeking ways to improve communication and transparency with our customers. One key area of improvement is providing an enhanced experience when there are power outages. Staff is researching Outage Management System platforms that would provide a customer-facing outage map, improved outage reporting, and expanded communication upon outage restoral. Research is expected to be completed in 2025 with a platform rollout in 2026.

# NET PROMOTER SCORE SURVEY

A Net Promoter Score (NPS) survey was rolled out in 2024. To increase response levels, MPU is researching the ability to provide the survey after customer service phone calls as well as additional delivery methods. Actionable customer feedback is critical to being able to provide the experience our customers expect from their local utility. We're looking forward to continuing to be able to evaluate customer feedback and implement customer-focused initiatives.

# GOVERNANCE/ MANAGEMENT EXCELLENCE

In 2024, MPU staff and commissioners worked with a third-party to set three overarching corporate goals. In 2025, staff will work to develop the best process of reporting goal progress on a quarterly basis to the commission as well as regular updates to employees through a new internal communication platform.

# MUTUAL AID

The Public Power industry is one of sacrifice and service when others are in need. Ahead of Hurricane Milton's landfall, four MPU lineworkers, along with 23 other utilities organized by the Municipal Electric Utilities of Wisconsin, traveled to Florida to provide relief for another Public Power utility affected by the hurricane. Amongst sinkholes, flooding, and alligators, they assisted Lakeland Electric in restoring power to about 62% of their 82,000 electric meters that were out of power. We're proud to be a part of the Public Power community where even hundreds of miles doesn't stop utilities from lending a helping hand.





# FUEL PELLET STORAGE FACILITY

As part of our power plant refueling project, MPU secured dry storage for the renewable fuel pellets that are being burned in our two boilers. These pellets are made from local industrial paper and plastic waste that would otherwise be landfill-bound. They are 100% Wisconsin-recognized renewable and substantially reduce emissions compared to burning fossil fuels.

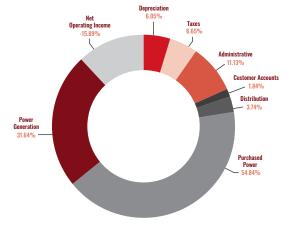
The 84,000 square foot facility is leased and will provide MPU the storage capacity needed to hold 30,000 tons, or one and a half months' worth, of fuel to operate both boilers. This is an important milestone in MPU's refueling project, which has many customer benefits: Cost control, grid resiliency, local control, and sustainability.

# FINANCIAL HIGHLIGHTS 2024

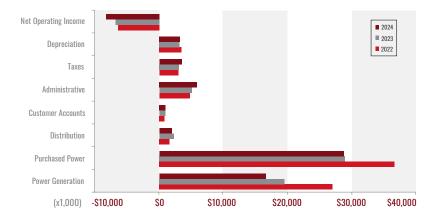
# RELIABILITY STATISTICS

- Average Interruption Duration Index (SAIDI) is the outage duration of an average
  customer on the system. It is calculated by dividing the sum total of customeroutage-interruption-minutes experienced in a year by the total number of electrical
  customers served by the system. MPU SAIDI was 29 minutes in 2024 compared to
  a 5-year rolling average of 41 minutes.
- Customer Average Interruption Duration Index (CAIDI) is the average outage
  restoration time. It is calculated by dividing the sum total of customer-outageinterruption-minutes by the total number of customer interruptions experienced in
  a year. MPU CAIDI was 98 minutes in 2024 compared to a 5-year rolling average
  of 89 minutes.
- System Average Interruption Frequency Index (SAIFI) is the average outage frequency.
   It is calculated by dividing the total number of customer-interruptions by the total number of customers served. MPU SAIFI was 0.30 interruptions per customer in 2024 compared to a 5-year rolling average of 0.36 interruptions per customer.

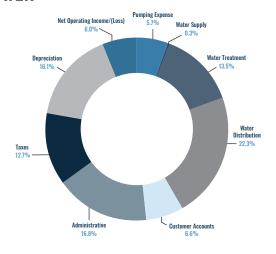
# **ELECTRIC**



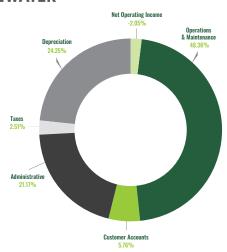
# **ELECTRIC UTILITY EXPENSE TRACKING**



# **WATER**



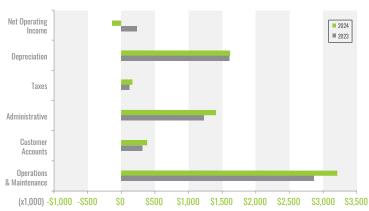
# **WASTEWATER**



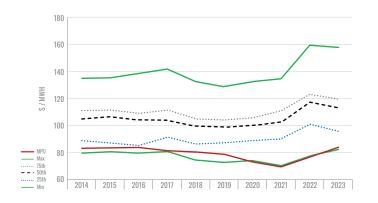
# WATER UTILITY EXPENSE TRACKING



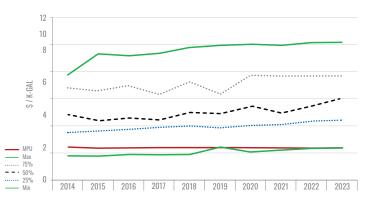
# WASTEWATER UTILITY EXPENSE TRACKING



# AGGREGATE ELECTRICAL RETAIL RATE **COMPARISON (AB MUNICIPAL)**



# **AGGREGATE RETAIL COST COMPARISON -METERED SALES TO GENERAL CUSTOMERS** (SURFACE WATER AB WATER UTILITIES)



# **FINANCIAL HIGHLIGHTS** 2024

CONTINUED

		2024	2023	2022
	Electric Revenues - Retail	\$44,427,022	\$43,002,811	\$40,488,117
	Electric Revenues - Wholesale	\$4,719,979	\$10,018,454	\$27,037,246
U	Number of Electric Customers	18,529	18,511	18,473
TR	Megawatt-hours Sold - Retail	511,057	514,574	524,467
ELECTRIC	Megawatt-hours Sold - Wholesale	106,665	168,030	298,248
	Peak Electric System Demand	104	110	103
	Miles of Distribution Line	237	240	238
	Average Net Plant Investment	\$93,514,772	\$92,719,565	\$85,130,437
	Water Revenues - Retail	\$5,655,535	\$4,841,694	\$4,730,873
	Water Revenues - Wholesale	\$2,419,489	\$2,208,571	\$2,069,951
	Number of Water Customers	14,111	14,063	13,962
WATER	Gallons of Water Sold ( X 1000) - Retail	1,640,085	1,703,586	1,657,263
	Gallons of Water Sold ( X 1000) - Wholesale	2,833,974	2,598,808	2,482,482
	Miles of Water Main	193	192	192
	Number of Hydrants	1,387	1,380	1,345
	Average Net Plant Investment	\$47,476,728	\$47,746,075	\$45,307,564
	Wastewater Service Revenues	\$5,991,346	\$6,256,218	
	Gallons Treated ( X 1000)	2,686,400	2,430,900	
	Average Net Plant Investment	\$21,180,267	\$19,297,266	
TER	Outstanding Facility Debt Balance	\$8,980,543	\$7,187,255	
STEWATER	Natural Gas Consumed (CCF)	91,410	128,120	Historical data not
STE	Methane Consumed (CCF)	268,428	200,594	displayed until future years.
M	Methane Flared (CCF)	86,680	115,060	
	Total Methane Produced (CCF)	355,107	315,653	
	Natural Gas Consumed/Methane Consumed	34.10%	63.90%	
	Natural Gas Produced/Methane Produced	25.70%	40.60%	

### ADMINISTRATIVE >

 $Salaries \ and \ benefits \ paid \ to \ employees \ in \ administrative \ roles, \ along \ with \ administrative \ expenses \ such \ as \ supplies \ and \ insurance.$ 

### ANNUAL RETURN ON INVESTMENT >

Operating earnings divided by Average Net Investment.

### **CUSTOMER ACCOUNTING >**

Cost of meter reading, billing, collection and uncollectible accounts.

### **DEPRECIATION** >

The decline in value of plant and equipment due to wear and tear of normal use and obsolescence, measured year by year through the charging of a portion of the asset's original cost against income.

### **ELECTRIC DISTRIBUTION >**

Cost of distributing electricity to customers including routine and emergency maintenance of poles, wires, underground facilities, street lighting, substations and metering.

### **NET OPERATING INCOME** >

These are the dollars available after all expenses are paid. This amount is used to finance system improvements and expansion projects.

# POWER GENERATION >

Cost of energy generated at MPU power plants. Includes the cost of fuel, maintenance and operation of the facility.

### PUMPING >

Cost of energy to operate pumps to deliver water to the distribution system and maintenance of pumping equipment.

# **PURCHASED POWER** >

Energy purchased from other utilities.

### TAXES >

MPU is exempt from state and federal income tax, but other taxes are incurred. The majority of tax paid is referred to as "Payment in Lieu of Taxes" to city government, which is based on property value. MPU is the largest tax payer to city government.

### WATER DISTRIBUTION >

 $Cost \ of \ delivering \ water to \ consumers including \ routine \ and \ emergency \ maintenance \ of \ water \ mains \ and \ hydrants, storage \ tanks \ and \ metering.$ 

### **WATER SUPPLY** >

 $Cost \, of \, maintaining \, water \, in takes \, and \, wells.$ 

# WATER TREATMENT >

 $Cost of treating \ water \ delivered \ to \ the \ water \ distribution \ system \ including \ operation \ cost \ of \ the \ water \ treatment \ plant, such \ as \ energy, \ maintenance, \ chemicals \ and \ laboratory \ expenses.$ 

### **YEAR END NET UTILITY PLANT >**

 $The \ depreciated \ value \ of \ the \ utility \ system \ plus \ construction \ work \ in \ progress, \ at \ year \ end.$ 



COMMUNITY OWNED.

CUSTOMER FOCUSED.



# **CITY OF MANITOWOC, WISCONSIN**

# **STATEMENT OF NET POSITION »**

	2024	2023
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	207,91
Due from Other Governments	996,303	17,468,78
Prepaid Supplies	7,204,924	4,958,678
Prepaid Items	3,112,181	3,702,85
Total Current Assets	35,929,118	59,560,208
NON-CURRENT ASSETS		
Other Assets:	0.477.004	
Restricted Cash - Equipment Replacement	8,477,304	
Restricted Cash - Debt Reserve	330,604	
Investments	26,083,582	26,091,01
Notes Receivable	864,666	1,490,49
Notes Receivable - City of Manitowoc	7,140,606	584,25
Lease Receivable	2,891,940	3,113,87
Investment in ATC	17,011,936	16,098,72
Rate Stabilization Deposit	-	991,64
Property Held for Future Use	1,893,264	1,893,26
Nonutility Property	379,154	379,86
Total Other Assets	65,073,056	50,643,140
Capital Assets:		
Nondepreciable Electric	2,861,564	2,848,03
Water	361,876	694,87
Wastewater	4,915,901	1,769,55
Steam	57,610	57,61
Broadband	11,351	174,79
Total Capital Assets, Nondepreciable	8,208,302	5,544,86
Depreciable		
Electric	195,868,000	192,845,08
Water	80,220,606	78,396,04
Wastewater	49,108,950	48,922,97
Steam	4,810,257	4,802,07
Broadband	2,119,785	1,873,63
Total Capital Assets, Depreciable	332,127,598	326,839,80
ess: Accumulated Depreciation	(178,934,767)	(173,397,924
Capital Assets, Depreciable, Net	153,192,831	153,441,88
Total Capital Assets	161,401,133	158,986,74
Total Non-Current Assets	226,474,189	209,629,889
Total Assets	\$ 262,403,307	\$ 269,190,09

# **CITY OF MANITOWOC, WISCONSIN**

# **STATEMENT OF NET POSITION »**

	2024	2023
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
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 Obligation	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
	420,236	
Other Postemployment Related Amounts - Cost-Sharing Plan		<u>461,688</u> 9.884.410
Total Deferred Inflows of Resources	7,843,333	7,884,410
NET POSITION	454 700 705	440 ( = 0 45 )
Net Investment in Capital Assets Restricted for:	151,723,635	148,653,421
Pension Benefits	2,087,104	1,904,514
Equipment Replacement	8,477,304	1,707,317
Debt Reserve	330,604	_
Unrestricted	55,735,418	72,812,290
Total Net Position	\$ 218,354,065	\$ 223,370,225

**CITY OF MANITOWOC, WISCONSIN** 

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION »

	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 Nonoperating 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

# **CITY OF MANITOWOC, WISCONSIN**

# STATEMENT OF CASH FLOWS »

	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)
Recieved from to 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	8,111,074	5,167,811
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Lead Service/Econcomic 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	(4,460,920)	(838,637)
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	(12,089,972)	(8,909,098)
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	5,852,270	(6,086,470)
NET CHANGE IN CASH AND INVESTMENTS	(2,587,548)	(10,666,394)
CASH AND INVESTMENTS - BEGINNING OF YEAR	25,721,310	36,387,704
CASH AND INVESTMENTS - END OF YEAR	\$ 23,133,762	\$ 25,721,310
CASH AND INVESTMENTS - END OF TEAR	Ψ 25,155,762	Ψ 23,721,310

**CITY OF MANITOWOC, WISCONSIN** 

# STATEMENT OF CASH FLOWS »

	2024	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)
r teremanasing and sobbing		(30,331)
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
Long Term building Louise	<u> </u>	

CITY OF MANITOWOC, WISCONSIN

**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 selfbalancing 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.

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

# MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

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

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

### **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.

# **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.

# **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 are 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.

# **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.

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
	\$	49,217,344
Reconciliation to the Financial Statements	<u></u>	
Statement of Net Position:		
Cash	\$	8,403,299
Current Investments		14,730,463
Non-current Investments		26,083,582
	\$	49,217,344

# **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:

Fully Insured Deposits	\$ 787,538
Collateralized	 8,906,565
	\$ 9,694,103

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

# **CREDIT RISK**

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

As of December 31, 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		
Totals	\$ 40,814,045	\$ 749,633	\$ 22,941,326	\$ 15,936,103	\$ 1,186,983	\$ -

### **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	IVESTMENT TYPE REPORTED AMOUNT			
Federal National Mortgage Federal Home Loan Bank	Federal Agency Securities Federal Agency Securities	\$	5,417,636 4,659,204	13% 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:

		REMAINING MATURITY (IN MONTHS)								
INVESTMENT TYPE	AN	10UNT	1	2 MONTHS OR LESS		13 TO 24 MONTHS		25 TO 60 MONTHS		ORE THAN
U.S. Treasury Securities	\$ 3	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
Total	\$ 40	),814,045	\$	14,730,463	\$	14,538,846	\$	9,601,362	\$	1,943,374



# 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 that already indicated in the information provided above):

HIGHLY SENSITIVE INVESTMENTS	FAIR VALUE AT END OF YEAR		
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 V	ALUE MEASUREMENTS U	SING:	
INVESTMENTS	LEVEL 1	LEVEL 2		LEVEL 3
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	\$	-

# **NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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

RECEIVABLE FUND	PAYABLE FUND	A	MOUNT	PURPOSE
MPU	Municipality	\$	620,106	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:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
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	5,544,864	9,450,642	6,787,204	8,208,302
Capital Assets Being Depreciated:				
Buildings	74,105,984	177,375	81,983	74,201,376
Improvements 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	326,839,809	6,816,147	1,528,358	332,127,598
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	(173,397,924)	(7,457,463)	(1,920,620)	(178,934,767)
Total Capital Assets, Net of Depreciation	153,441,885	(641,316)	(392,262)	153,192,831
Net Capital Assets	\$ 158,986,749	\$ 8,809,326	\$ 6,394,942	\$ 161,401,133

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	<u> </u>	73,247
Total Depreciation Expense		7,061,324
Depreciation Charged to Sewer Utility for Shared Meter Expense		188,152
Salvage Charged to Accumulated Depreciation		207,987
Total Increase in Accumulated Depreciation Above	\$	7,457,463

# **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:

	01	JTSTANDING 1/1/2024	_IN	ICREASE	DI	ECREASE	 2/31/2024	 JE WITHIN DNE 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	\$	15,260,678	\$	2,499,145	\$	2,907,028	\$ 14,852,795	\$ 2,410,852

	DATE OF ISSUANCE	FINAL MATURITY	INTEREST RATE	ORIGINAL DEBTEDNESS	BALANCE 2/31/2024
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					\$ 12,602,303

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

YEAR ENDING DECEMBER 31,	PI	RINCIPAL	 NTEREST	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
	\$	11,949,916	\$ 1,799,362	\$ 13,749,278

# **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	151,723,635
Net Position Restricted For:	
Equipment Replacement	8,477,30
Debt Reserve	330,60
Pension	2,087,10
Total Restricted	10,895,01
Jnrestricted	55,735,41
Total Net Position	\$ 218,354,06

# 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-eft/reports-and-studies/financial-reports-and-statements.

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

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



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

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

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

The WRS also provides death and disability benefits for employees.

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:

YEAR	CORE FUND ADJUSTMENT (%)	VARIABLE FUND ADJUSTMENT (%)
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.

Contribution rates as of December 31, 2024 are:

EMPLOYEE CATEGORY	EMPLOYEE	EMPLOYER
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:

	 RED OUTFLOWS RESOURCES	 RRED INFLOWS RESOURCES
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	 <u>-</u>
Total	\$ 7,200,113	\$ 4,309,218

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:

FERRED OUTFLOW: WS) OF RESOURCE	YEAR ENDING DECEMBER 31,
425,109	2025
446,575	2026
1,753,810	2027
(540,761	2028
2,084,733	

**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%

<sup>\*</sup>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 rollforward of the liability calculated from the December 31, 2022 actuarial valuation.

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a buildingblock 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 %	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 <sup>3</sup>	(12)	3.7	1.0		
Total Core Fund Total	112% *	7.4%	4.6%		
VARIABLE FUND ASSETS CLASS					
U.S. Equities	70%	6.8%	4.0%		
International Equities	30	7.6	4.8		
Total Variable Fund	100%	7.3%	4.5%		

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

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.

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

<sup>&</sup>lt;sup>3</sup>The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 12% policy leverage is used, subject to an allowable range of up to 20%

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.

**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:

COVERAGE TYPE	EMPLOYEE
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:

ATTAINED AGE	BASIC/SUPPLEMENTAL
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
55-59 60-64	0.39 0.49
65-69	0.57

<sup>\*</sup> 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.

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		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		<u>-</u>
Total	\$	368,019	\$	420,236

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,	 RRED OUTFLOWS ) OF RESOURCES
2025	\$ 7,638
2026	18,039
2027	(17,903)
2028	(44,337)
2029	(38,659)
Thereafter	 18,894
Total	 (56,328)

**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:

January 1, 2023
December 31, 2023
January 1, 2018 - December 31, 2020,
Published November 19, 2021
Entry Age Normal
3.26%
4.25%
3.32%

Inflation
 3.00%

 Seniority/Merit
 0.1% - 5.6%

Mortality: 2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total OPEB liability for December 31, 2023 is based upon a rollforward 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 ASS AND EXPECTED RETURNS AS O			
ASSET CLASS	INDEX	TARGET AL	LOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN %
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	50	%	2.32 %
U.S. Mortgages	Blookberg U.S. MBS	50		2.52
Inflation				2.30
Long-Term Expected Rate of Return				4.25



<sup>\*</sup> Based on the Bond Buyers GO index.

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%.

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%, 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%) or 1-percentage-point higher (4.32%) 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	AVERAGE	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.

# **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.

LEASES RECEIVABLE	В	GINNING ALANCES JARY 1, 2024	ADDI	TIONS	REI	DUCTIONS	 NG BALANCES MBER 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	\$	3,321,791			\$	207,912	\$ 3,113,879

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

YEAR ENDING DECEMBER 31,	PR	PRINCIPAL		TEREST	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	\$	3,113,879	\$	1,033,371	\$	4,147,250

**CITY OF MANITOWOC, WISCONSIN** 

# REQUIRED SUPPLEMENTARY INFORMATION

# 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	SHA!	MPU PPORTIONATE RE OF THE NET SION (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	R	TRACTUALLY EQUIRED TRIBUTIONS	REL	TRIBUTIONS IN ATION TO THE CTUALLY REQUIR NTRIBUTIONS	ED DEFIC	IBUTION IENCY CESS)	COVERED PAYROLL	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%

<sup>\*</sup>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.

# 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 ATE CONTRIBUTIONS		CONTRIB IN RELA TO THE CONT	DEFIC	IBUTION CIENCY CESS)	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%

# **REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) »**

### **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 changes of benefit terms for any participating employer in WRS.

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.



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