

# 2025 MANITOWOC PUBLIC UTILITIES ANNUAL REPORT



INTEGRITY

VISIONARY

COLLABORATION



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# LETTER FROM MANAGEMENT

Values are fundamental principles that drive decisions and behaviors. Integrity, visionary, and collaboration are woven throughout the culture of Manitowoc Public Utilities (MPU), starting at the top by our governing body, the MPU Commission. The Commission has set these values apart as guiding North Stars for our organization. As a public service provider, our community relies on us to act with integrity every step of every day; have a vision for the future to keep us resilient in an ever-changing world; and to be collaborative within our organization, with our city government, and with our community; all to provide exceptional essential services.

**I get the privilege of seeing our employees purposefully and intentionally embody these values every day through hard decisions, innovative ideas, and collaborative projects, with the foundational goal of serving our community well.**

I am proud of our employees and all that they accomplish on behalf of our community. The next few pages share glimpses of these values emulated through year-in-review statistics, project snapshots, and photos.



**TROY ADAMS**

Chief Executive Officer & General Manager

A handwritten signature in black ink, appearing to read 'Troy Adams', written in a cursive style.



## FINANCIAL HIGHLIGHTS 2025

	2025	2024	2023	
<b>ELECTRIC</b>	Electric Revenues - Retail	\$45,887,222	\$44,427,022	\$43,002,811
	Electric Revenues - Wholesale	\$5,521,901	\$4,719,979	\$10,018,454
	Number of Electric Customers	18,536	18,529	18,511
	Megawatt-hours Sold - Retail	503,350	511,057	514,574
	Megawatt-hours Sold - Wholesale	86,524	106,665	168,030
	Average Net Plant Investment	\$96,177,274	\$93,514,772	\$92,719,565
<b>WATER</b>	Water Revenues - Retail	\$5,380,669	\$5,655,535	\$4,841,694
	Water Revenues - Wholesale	\$2,542,757	\$2,419,489	\$2,208,571
	Number of Water Customers	14,436	14,111	14,063
	Gallons of Water Sold ( X 1000) - Retail	1,485,835	1,640,085	1,703,586
	Gallons of Water Sold ( X 1000) - Wholesale	2,954,071	2,833,974	2,598,808
	Average Net Plant Investment	\$50,332,951	\$47,476,728	\$47,746,075
<b>WASTEWATER</b>	Wastewater Service Revenues	\$6,432,530	\$5,991,346	\$6,256,218
	Average Net Plant Investment	\$26,876,372	\$21,180,267	\$19,297,266
	Outstanding Facility Debt Balance	\$13,772,259	\$8,980,543	\$7,187,255
	Natural Gas Consumed (CCF)	121,468	91,410	128,120
	Methane Consumed (CCF)	245,481	268,428	200,594
	Methane Flared (CCF)	75,567	86,680	115,060
	Total Methane Produced (CCF)	321,047	355,107	315,653
	Natural Gas Consumed: Methane Consumed	49.50%	34.10%	63.90%
Natural Gas Produced: Methane Produced	37.80%	25.70%	40.60%	

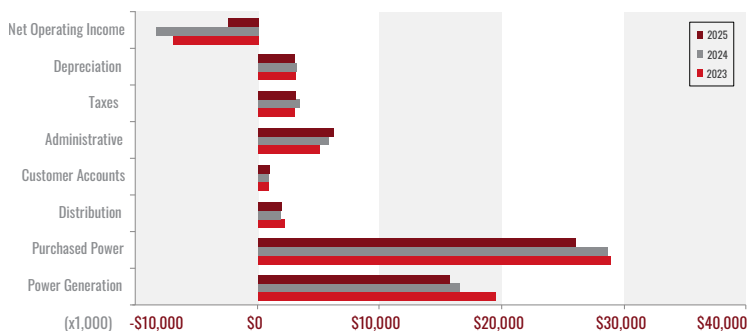
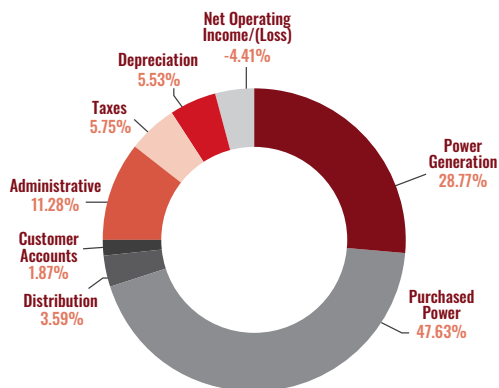
## ELECTRIC RATE CASE FILING

MPU filed for an electric rate case with the Public Service Commission of Wisconsin (PSCW) in May. A change was requested which, for the average residential customer using 600 kilowatt hours (kWh), equates to an increase of about \$6.04/month. The key contributors to the requested increase are: a significant increase in transmission expense, about 30% higher than the 2023 test year the PSCW used in MPU's last rate case, inflationary increase in expenses, and a lower sales volume than what the PSCW had forecasted for MPU. The lower sales volume is partially offset by reduced power costs due to less sales, but the cost of power supply market purchases have increased as well.

MPU is committed to maintaining competitive rates, which is reflected in our rate comparison graph. We have strategic outcomes in place to secure economic fuel and competitive supply contracts. We expect new rates to be effective within the first half of 2026.

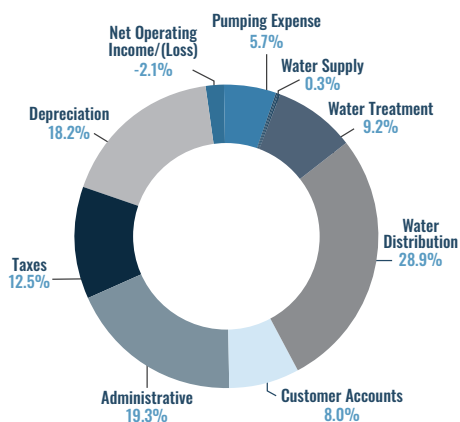
## ELECTRIC

## ELECTRIC UTILITY EXPENSE TRACKING



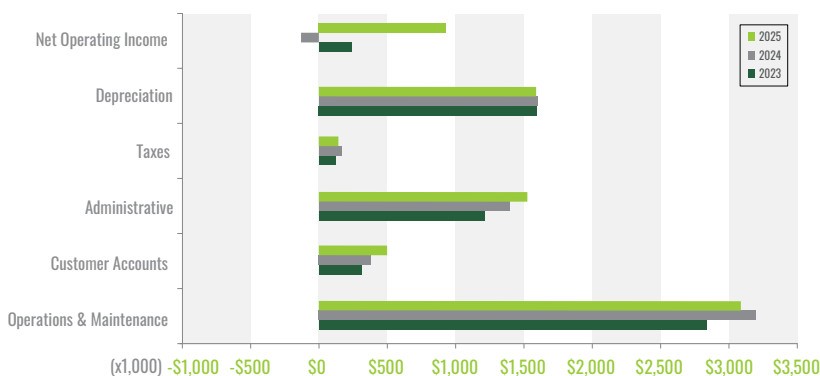
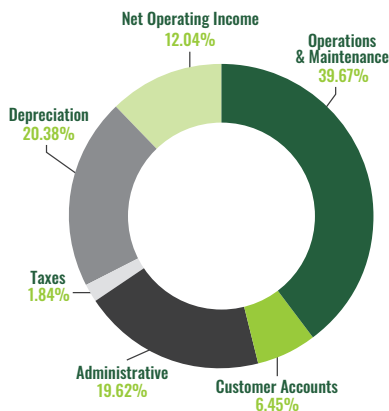
## WATER

## WATER UTILITY EXPENSE TRACKING

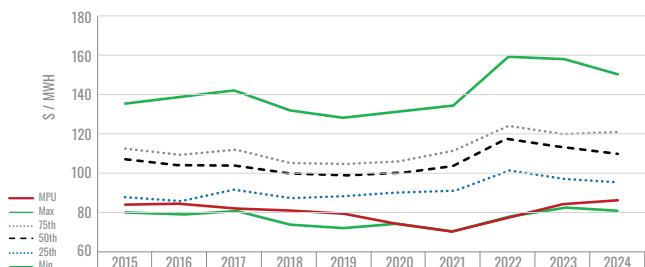


## WASTEWATER

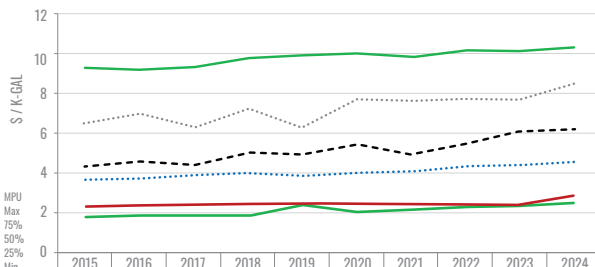
## WASTEWATER UTILITY EXPENSE TRACKING



## AGGREGATE ELECTRICAL RETAIL RATE COMPARISON (AB MUNICIPAL)



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





## YEAR-IN-REVIEW STATS WATER

Miles of Water Main:

**192**

Number of Hydrants:

**1,433**

Total Gallons Pumped:

**4.865**

Billion Gallons

Gallons Pumped to Central  
Brown County Water Authority:

**2.858**

Billion Gallons

Lead Service Lines  
Replaced or Abandoned:

**791**

Lead Service Line Funds  
Obtained from Wisconsin DNR:

**\$5,574,800**

## WATER METER TECHNOLOGY UPGRADE

MPU is continually working to implement customer-focused strategic initiatives that create efficiencies. One of our top initiatives is converting our water meter reading technology. Instead of the water meter communicating its reading to a device on the outside of the home requiring staff to physically walk to each house, the encoder receiver transmitter (ERT) transmits the water meter reading to our reading device as staff drives by. This will allow MPU to read all water meters every month alleviating estimated bills every other month.

ERT deployments have been worked on for a couple years, but significant progress was made in 2025. In total, 3,852 ERTs were installed throughout the with an end goal of all ERTs, about 14,000, being deployed by the end of 2027. Because water meters are located inside homes and businesses, we're extremely appreciative of our customers' responsiveness in scheduling installation appointments.

## YEAR-IN-REVIEW STATS WASTEWATER

Gallons Treated (X1000):

**2,343,300**

Biosolids Land Applied on  
Manitowoc County Farm Fields:

**6,366,000**

Gallons

Pounds of Phosphorus removed  
and used as fertilizer:

**73,870 lbs**

Methane Gas Produced and Utilized  
for Heat At WWTF:

**32,104,706 cft<sup>3</sup>**



## LED STREET LIGHT UPGRADE

Electric Distribution completed a significant upgrade project. All High-Pressure Sodium (HPS) street light fixtures have now been upgraded to LED. This conversion began in 2020 and was intentionally spread out over a 5-year span. In total, 4,858 fixtures were upgraded. LED fixtures offer longer life spans, reduced maintenance, improved light quality, and over a 50% reduction in energy consumption. This project required a significant time investment from our lineworkers and we're grateful to have reached completion.



## 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, we've secured additional fuel by facilitating long-term supply agreements (LTSAs) with our two pellet suppliers, and staff is embarking on upgrading the fuel handling system within the plant. A fuel handling study has recently been completed and design options are being reviewed.



## WASTEWATER TREATMENT FACILITY STACK FILTER & FINAL CLARIFIER REHABILITATION

The Wastewater Treatment Facility (WWTF) commenced on a significant upgrade project. A Master Plan study was conducted in 2022 and 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.

In Wisconsin, nearly all significant capital improvement projects at municipal wastewater treatment facilities are funded with the Clean Water Fund Program (CWFP), which provides public treatment facility owners financial assistance in the form of subsidized loans, additional subsidies that reduce the size of the loan (principal forgiveness) or a combination. MPU received \$2.1M in principal forgiveness funds to help pay for this significant upgrade, with the remaining costs being paid over 20 years via a Wisconsin Department of Natural Resources low interest loan.

The WWTF has two stack filters, East and West. Construction began with the rehabilitation of the West. Stack filters are filled with 11 layers of synthetic media, 20-feet deep, that provide a large surface area for the growth of aerobic bacteria as a part of the secondary treatment process. The media was completely removed, new grating was installed, and new media was added back. The East stack filter will be rehabilitated in 2026.

Final clarifiers separate solid and liquid materials in the effluent of biological treatment, which in MPU's case is the effluent from the stack and rock filters. This is achieved by slowing down the flow of wastewater to allow suspended solids to settle out via gravity and also by removing solids or scum and grease. The settled sludge and floating scum are both pumped to the digesters for treatment. The clarified liquid is discharged to the next state of treatment. There are four final clarifiers; two were rebuilt in 2025 and the remaining two will be rebuilt in 2026.



## YEAR-IN-REVIEW STATS POWER

### NET GENERATION TOTALS:

Turbine 5 Generation:

**59,630** MWh

Turbine 9 Generation:

**118,589** MWh

Custer CT Generation:

**3,998** MWh

2025 Total Net Generation:

**182,217** MWh

Total Fuel Burned  
(Densified Fuel Pellets + Fossil Fuel):

**99,438.42** Tons

## PLANT TIE TRANSFORMER DELIVERY & INSTALLATION

Over the summer, MPU's long-awaited new Lakefront Substation Plant Tie Transformer arrived. This transformer is the primary power supply for large motor loads associated with power plant Boiler 8 and the backup source of power for Boiler 9. Ordered back in 2022, this 97,000lb transformer took 7-days to be transported from the manufacturing facility to our substation. This will serve as a replacement for a transformer that was originally constructed in the 1960's and is nearing end-of-life.

Transformer replacements require significant preparation and planning. From preparing the specifications to the ordering process all the way to delivery, this project required assistance from several departments, including power plant, electric distribution, utility projects, and more. One of MPU's core values is collaboration and projects like this demonstrate how important it is to work together.

**The new transformer was successfully installed at the beginning of October and was online shortly thereafter.**

## PRIVATE LEAD SERVICE LINE REPLACEMENT PROGRAM

In the City of Manitowoc, the entire water service (from the watermain to the meter in the home) is owned by the property owner. MPU has been assisting property owners in replacing their lead or galvanized water service lines (LSL) since 2017 through various funding opportunities. In 2024, MPU applied for Environmental Protection Agency (EPA) Lead Service Line Accelerator Program funding for 2025 replacements. MPU obtained \$5.5M, all of which is 100% principal forgiveness, to assist disadvantaged homeowners in replacing their LSLs. In total, 791 LSLs were replaced or abandoned in 2025.

## ELECTRIC DISTRIBUTION: RELIABILITY STATS



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 customer-outage-interruption-minutes experienced in a year by the total number of electrical customers served by the system. MPU SAIDI was **35 minutes in 2025** compared to a **5-year rolling average of 42 minutes.**



Customer Average Interruption Duration Index (CAIDI) is the average outage restoration time. It is calculated by dividing the sum total of customer-outage-interruption-minutes by the total number of customer interruptions experienced in a year. MPU CAIDI was **73 minutes in 2025** compared to a **5-year rolling average of 89 minutes.**



System 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 **0.49 interruptions per customer in 2025** compared to a **5-year rolling average of 0.47 interruptions per customer.**



## INAUGURAL MPU ACADEMY

In 2025, a MPU Academy was created with a focus on succession planning and employee development. 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. It's an application-based program offered on an annual basis for a limited number of employees. The inaugural class kicked off in early 2025 and graduated in October. We know that when leaders grow, the organization grows, and we're so proud of the effort and thoughtfulness this first class put into the Academy.

\*See definitions on following page.



## YEAR-IN-REVIEW STATS CUSTOMER SERVICE & ACCOUNTING

Average Net Promotor Score:

98

Number of Projects Closed:

254

Average Call Wait Time:

17 Seconds

Number of Purchase Orders Created:

522

## LOOKING AHEAD TO 2026

### PRIVATE LEAD SERVICE LINE REPLACEMENT PROGRAM

Similar to the last few years, MPU applied for Environmental Protection Agency (EPA) Lead Service Line Accelerator Program funding to assist homeowners in replacing their lead or galvanized service lines (LSL). In 2026, MPU has been awarded \$14.4M in LSL funds, which will be available to all remaining properties within the City with a LSL. MPU will be facilitating the distribution of these funds and intends to make them available by late summer.

### OUTAGE MANAGEMENT SYSTEM

MPU is continually focused on customer-focused strategic outcomes that will improve communication and transparency. Staff spent significant time in 2025 researching Outage Management Systems (OMS) that will provide customers an enhanced experience during power outages by providing a customer-facing outage map, improved reporting, and expanded communication upon outage restoral. MPU has committed to an OMS system and will be implemented in 2026.

### WATER RATE CASE FILING

MPU will be filing a water rate case application with the Public Service Commission of Wisconsin (PSCW) in early 2026. An increase will be requested due to multiple factors, most notably an increase in depreciation expense and return due to reinvestment in plant assets, a decrease in industrial sales, and an increase in operating and maintenance costs. **Even with the proposed increase, MPU's rates competitively remain in the lowest quartile amongst other same-class water utilities across the state, not considering any other utilities' pending rate cases.**

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# MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

## STATEMENT OF NET POSITION »

December 31, 2025 with Summarized Comparative Information as of December 31, 2024

	2025	2024
<b>CURRENT ASSETS</b>		
Cash	\$ 8,813,101	\$ 8,403,299
Investments	5,814,102	5,922,555
Receivables:		
Customer Accounts Receivable, Net	8,625,657	10,067,917
Current Lease Receivable	236,763	221,939
Due from Other Governments	2,255,757	996,303
Prepaid Supplies	6,604,999	7,204,924
Prepaid Items	2,786,039	3,112,181
<b>Total Current Assets</b>	<b>35,136,418</b>	<b>35,929,118</b>
<b>NON-CURRENT ASSETS</b>		
Other Assets:		
Restricted Cash - Equipment Replacement	9,208,251	8,477,304
Restricted Cash - Debt Reserve	359,976	330,604
Investments	32,538,981	26,083,582
Notes Receivable	728,664	864,666
Notes Receivable - City of Manitowoc	651,287	7,140,606
Lease Receivable	2,655,176	2,891,940
Investment in ATC	18,967,782	17,011,936
Property Held for Future Use	1,893,264	1,893,264
Nonutility Property	378,448	379,154
<b>Total Other Assets</b>	<b>67,381,829</b>	<b>65,073,056</b>
Capital Assets:		
Nondepreciable		
Electric	4,743,978	2,861,564
Water	306,535	361,876
Wastewater	9,813,273	4,915,901
Steam	40,707	57,610
Broadband	-	11,351
<b>Total Capital Assets, Nondepreciable</b>	<b>14,904,493</b>	<b>8,208,302</b>
Depreciable		
Electric	199,492,061	195,868,000
Water	84,892,329	80,220,606
Wastewater	51,307,363	49,108,950
Steam	4,434,254	4,810,257
Broadband	2,119,785	2,119,785
<b>Total Capital Assets, Depreciable</b>	<b>342,245,792</b>	<b>332,127,598</b>
Less: Accumulated Depreciation	(184,622,058)	(178,934,767)
<b>Capital Assets, Depreciable, Net</b>	<b>157,623,734</b>	<b>153,192,831</b>
<b>Total Capital Assets</b>	<b>172,528,227</b>	<b>161,401,133</b>
<b>Total Non-Current Assets</b>	<b>239,910,056</b>	<b>226,474,189</b>
<b>Total Assets</b>	<b>\$ 275,046,474</b>	<b>\$ 262,403,307</b>

# MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

## STATEMENT OF NET POSITION »

December 31, 2025 with Summarized Comparative Information as of December 31, 2024

	<u>2025</u>	<u>2024</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	\$ 5,242,647	\$ 7,200,113
Other Postemployment Related Amounts - Cost-Sharing Plan	290,691	368,019
Asset Retirement Obligations	9,533,332	10,399,999
Deferred Regulatory Asset - Solar	230,578	230,578
Total Deferred Outflows of Resources	<u>15,297,248</u>	<u>18,198,709</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	6,115,699	4,522,888
Accrued and Other Current Liabilities	1,287,754	1,324,327
Other Liabilities	516,666	716,666
Current Portion of Compensated Absences	1,142,831	1,316,151
Unearned Capacity Swap Revenue	566,342	-
Due to Other Governments	3,697,483	3,771,765
Customer Deposits	1,649,962	1,559,619
Current Portion of Lease Liability	71,559	-
Current Portion of Long-Term Obligations	1,153,246	1,094,701
Total Current Liabilities	<u>16,201,542</u>	<u>14,306,117</u>
Non-Current Liabilities		
Noncurrent Portion of Compensated Absences	1,686,606	1,586,728
Net Pension Liability	893,583	803,791
Asset Retirement Obligations	26,000,000	26,000,000
Other Postemployment Benefits - Cost-Sharing Plan	722,761	852,767
Noncurrent Portion of Long-Term Obligation	14,958,937	10,855,215
Total Non-Current Liabilities	<u>44,261,887</u>	<u>40,098,501</u>
Total Liabilities	<u>60,463,429</u>	<u>54,404,618</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease Receivable	2,891,939	3,113,879
Pension Related Amounts	2,626,066	4,309,218
Other Postemployment Related Amounts - Cost-Sharing Plan	486,717	420,236
Total Deferred Inflows of Resources	<u>6,004,722</u>	<u>7,843,333</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	158,616,197	151,723,635
Restricted for:		
Pension Benefits	1,722,998	2,087,104
Equipment Replacement	9,208,251	8,477,304
Debt Reserve	359,976	330,604
Unrestricted	53,968,149	55,735,418
Total Net Position	<u>\$ 223,875,571</u>	<u>\$ 218,354,065</u>

# MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

## STATEMENT OF NET POSITION »

December 31, 2025 with Summarized Comparative Information as of December 31, 2024

	2025	2024
<b>OPERATING REVENUES</b>		
Charges for Services		
Electric	\$ 53,014,770	\$ 50,614,427
Water	8,140,883	8,275,570
Wastewater	6,535,403	6,063,601
Steam	1,723,688	1,536,046
Broadband	284,742	430,697
Total Operating Revenues	<u>69,699,486</u>	<u>66,920,341</u>
<b>OPERATING EXPENSES</b>		
Water Supply and Distribution	3,912,701	3,896,091
Electric Supply and Distribution	42,295,247	45,320,809
Wastewater Supply and Distribution	3,101,354	3,139,820
Steam Supply and Distribution	1,630,311	1,452,764
Broadband	71,731	50,333
Customer Accounts	1,976,984	1,727,454
Administrative and General	9,352,135	9,307,771
Depreciation	7,034,634	7,061,324
Amortization of Asset Retirement Obligation	866,667	866,667
Taxes	968,257	1,240,359
Total Operating Expenses	<u>71,210,021</u>	<u>74,063,392</u>
<b>OPERATING LOSS</b>	<u>(1,510,535)</u>	<u>(7,143,051)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	3,507,172	3,439,456
Unrealized Gains	1,115,461	893,262
Merchandising, Jobbing and Other Nonoperating Expenses	(219,053)	186,384
Interest and Fiscal Charges	(500,278)	(221,080)
Other Nonoperating Expenses	(706)	(706)
Total Nonoperating Revenues (Expenses)	<u>3,902,596</u>	<u>4,297,316</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	2,392,061	(2,845,735)
Capital Contributions	6,472,408	1,295,408
Transfers - Tax Equivalents	(3,342,963)	(3,465,833)
<b>CHANGE IN NET POSITION</b>	<u>5,521,506</u>	<u>(5,016,160)</u>
<b>TOTAL NET POSITION - BEGINNING</b>	<u>218,354,065</u>	<u>223,370,225</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 223,875,571</u>	<u>\$ 218,354,065</u>

# MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

## STATEMENT OF NET POSITION »

December 31, 2025 with Summarized Comparative Information as of December 31, 2024

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$ 70,432,343	\$ 63,731,125
Paid for Employee Wages and Benefits	(7,500,704)	(6,756,276)
Received from Municipality	(74,230)	17,147,512
Paid to Suppliers for Goods and Services	(51,611,605)	(61,560,787)
Net Cash Flows From Operating Activities	<u>11,245,804</u>	<u>12,561,574</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Lead Service/Economic Development Loans Repaid	103,578	88,253
Lease Receivable Payments	32,424	-
MISO Collateral Reimbursed	-	570,000
Received on Note from City of Manitowoc	-	989,535
Note to City of Manitowoc	-	(8,171,818)
Note Repayment from City of Manitowoc	5,229,813	86,802
Deposit from (to) Others	-	991,641
Transfer to City of Manitowoc	(3,342,963)	(3,465,833)
Net Cash Flows From Noncapital Financing Activities	<u>2,022,852</u>	<u>(8,911,420)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(19,375,700)	(12,135,489)
Capital Contributions	6,472,408	1,295,408
Salvage Received on Capital Assets	1,247,023	207,987
Cost of Removal of Capital Assets	(307,655)	(392,262)
Proceeds on Long-Term Debt	5,396,984	2,250,492
Principal Paid on Long-Term Debt	(1,163,158)	(2,907,028)
Interest Paid on Long-Term Debt	(688,278)	(409,080)
Net Cash Flows From Capital and Related Financing Activities	<u>(8,418,376)</u>	<u>(12,089,972)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	4,622,633	4,332,718
Cash Paid to ATC LLC	(1,955,846)	(913,207)
Purchase of Investments	(25,034,787)	(10,667,241)
Proceeds from Maturity of Investments	18,579,388	13,100,000
Net Cash Flows From Investing Activities	<u>(3,788,612)</u>	<u>5,852,270</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	1,061,668	(2,587,548)
<b>CASH AND INVESTMENTS - BEGINNING OF YEAR</b>	<u>23,133,762</u>	<u>25,721,310</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<u>\$ 24,195,430</u>	<u>\$ 23,133,762</u>

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## STATEMENT OF NET POSITION »

December 31, 2025 with Summarized Comparative Information as of December 31, 2024

	2025	2024
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (1,510,535)	\$ (7,143,051)
Noncash Items Included in Operating Loss:		
Depreciation	7,034,634	7,061,324
Depreciation Charged to Operating Accounts	274,604	192,773
Amortization of Asset Retirement Obligation	866,667	866,667
Changes in Deferred Outflows and Inflows of Resources:		
Deferred Outflows Related to Pension	1,957,466	3,710,866
Deferred Inflows Related to Pension	(1,683,152)	(1,788,415)
Deferred Outflows Related to OPEB - Cost-Sharing Plan	77,328	(85,613)
Deferred Inflows Related to OPEB - Cost-Sharing Plan	66,481	(41,452)
Deferred Outflows Related to OPEB - Single-Employer	-	59,195
Deferred Inflows Related to OPEB - Single-Employer	-	(3,298)
Changes in Assets and Liabilities		
Customer Accounts Receivable, Net	(533,638)	(738,432)
Due from Other Governments	52	17,465,544
Prepaid Supplies and Other Items	2,901,965	(3,484,386)
Accounts Payable	1,592,811	(1,758,315)
Accrued and Other Current Liabilities	(36,573)	(135,569)
Other Liabilities	(12,000)	(12,000)
Unearned Revenue Capacity Swaps	566,342	-
Due to Other Governments	(74,282)	(318,411)
Customer Deposits	90,343	210,798
Compensated Absences	(73,442)	248,653
Net Pension Liability	89,792	(2,105,041)
Net OPEB Liability - Cost-Sharing Plan	(130,006)	199,084
Net OPEB Liability - Single-Employer	-	(25,731)
Merchandising and Jobbing	(219,053)	186,384
Net Cash Flows from Operating Activities	<u>\$ 11,245,804</u>	<u>\$ 12,561,574</u>

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

Cash	\$ 8,813,101	\$ 8,403,299
Investments	5,814,102	5,922,555
Restricted Cash	<u>9,568,227</u>	<u>8,807,908</u>
Total Cash and Investments	<u>\$ 24,195,430</u>	<u>\$ 23,133,762</u>

# MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS »

December 31, 2025

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### INTRODUCTION

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

#### REPORTING ENTITY

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

#### PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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### 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 \$47,500 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 \$18,967,782 as of December 31, 2025, 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 follows GASB Statement No. 101, 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 outflows and inflows are applicable.

### PENSION AND OTHER POST-EMPLOYMENT BENEFITS

**Pensions.** The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset)
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
- Pension Expense

Information about the fiduciary net position of the 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, 2025.

### 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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### 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, 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 the MPU commission.

### CERTAIN ASSET RETIREMENT OBLIGATIONS

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

### NET POSITION

Net position is classified into three components defined as follows:

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

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

### 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 \$56,734,411 on December 31, 2025 are as follows:

Petty Cash and Cash on Hand	\$	750
Deposits With Financial Institutions		8,812,351
Investments		47,921,310
		<hr/>
	\$	56,734,411
		<hr/> <hr/>
<b>Reconciliation to the Financial Statements</b>		
<hr/>		
Statement of Net Position:		
Cash	\$	8,813,101
Current Investments		5,814,102
Non-current Investments		42,107,208
		<hr/>
	\$	56,734,411
		<hr/> <hr/>

**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, 2025:

Fully Insured Deposits	\$	250,000
Collateralized		9,436,606
		<hr/>
	\$	9,686,606
		<hr/> <hr/>

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

### 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, 2025, MPU's credit quality ratings are as follows:

INVESTMENT TYPE	AMOUNT	EXEMPT FROM DISCLOSURE	AAA	Aa	A
U.S. Treasury Notes	\$ 9,622,389	\$ 9,622,389	\$ -	\$ -	\$ -
Money Market Mutual Funds	1,144,463	-	-	1,144,463	-
Corporate Bonds and Notes	26,323,007	-	5,672,437	19,182,545	1,468,025
Federal Agency Securities	10,831,451	-	-	10,831,451	-
Totals	\$ 47,921,310	\$ 9,622,389	\$ 5,672,437	\$ 31,158,459	\$ 1,468,025

### 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	PERCENT OF TOTAL INVESTMENTS
Federal Home Loan Bank	Federal Agency Securities	\$ 6,300,571	13%
Apple Incorporated	Corporate Bonds and Notes	2,535,104	5%

### 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, 2025, 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	\$ 9,622,389	\$ 2,676,306	\$ 1,100,185	\$ 2,534,257	\$ 3,311,641
Money Market Mutual Funds	1,144,463	1,144,463	-	-	-
Corporate Bonds and Notes	26,323,007	8,281,387	4,042,658	11,654,317	2,344,645
Federal National Mortgage	2,285,547	2,036,306	-	249,241	-
Federal Home Loan Bank	6,300,571	995,011	1,279,691	3,504,435	521,434
Federal Home Loan Mortgage	748,967	-	-	748,967	-
Federal Farm Credit Bureau	1,496,366	248,856	245,033	1,002,477	-
Total	\$ 47,921,310	\$ 15,382,329	\$ 6,667,567	\$ 19,693,694	\$ 6,177,720

**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 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.	\$ 10,831,451

**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, 2025 MPU had the following investments at fair value:

INVESTMENTS	FAIR VALUE MEASUREMENTS USING:		
	LEVEL 1	LEVEL 2	LEVEL 3
U.S. Treasury Securities	\$ -	\$ 9,622,389	\$ -
U.S. Agencies	-	-	-
Money Market Mutual Funds	1,144,463	-	-
Corporate Bonds and Notes	-	26,323,007	-
State and Municipal Bonds	-	-	-
Federal National Mortgage	-	2,285,547	-
Federal Home Loan Bank	-	6,300,571	-
Federal Home Loan Mortgage	-	748,967	-
Federal Farm Credit Bureau	-	1,496,366	-
<b>Total</b>	<b>\$ 1,144,463</b>	<b>\$ 46,776,847</b>	<b>\$ -</b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED) »**

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

The following is a schedule of interfund balances as of December 31, 2025:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
MPU	Municipality	\$ <u>651,287</u>	Land Purchase

Interfund transfers for the year ended December 31, 2025 in the amount of \$3,342,963 were made for the purpose of transferring the tax equivalent payment from MPU to the general fund of the City of Manitowoc, Wisconsin. In 2024, MPU issued the City of Manitowoc a \$6,300,000 three year promissory note at an annual interest rate of 5.25% for the City to purchase a blighted property. The City repaid this loan in 2025.

**NOTE 4 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for 2025 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	5,289,893	8,975,659	2,279,468	11,986,084
Total Capital Assets Not Being Depreciated	<u>8,208,302</u>	<u>8,975,659</u>	<u>2,279,468</u>	<u>14,904,493</u>
Capital Assets Being Depreciated:				
Right to Use - Equipment	364,416	-	-	364,416
Right to Use - Building	5,419,197	-	-	5,419,197
Buildings	68,782,179	2,472,381	324,656	70,929,904
Improvement Other Than Buildings	161,566,291	2,725,933	1,681,575	162,610,649
Infrastructure	95,995,515	7,481,195	555,084	102,921,626
Total Capital Assets Being Depreciated	<u>332,127,598</u>	<u>12,679,509</u>	<u>2,561,315</u>	<u>342,245,792</u>
Less Accumulated Depreciation:				
Right to Use - Equipment	(136,656)	(54,662)	-	(191,318)
Right to Use - Building	(43,082)	(28,722)	-	(71,804)
Buildings	(41,816,748)	(1,829,122)	(344,984)	(43,300,886)
Improvements Other Than Buildings	(99,999,176)	(3,801,384)	(1,712,104)	(102,088,456)
Infrastructure	(36,939,105)	(2,842,371)	(811,882)	(38,969,594)
Total Accumulated Depreciation	<u>(178,934,767)</u>	<u>(8,556,261)</u>	<u>(2,868,970)</u>	<u>(184,622,058)</u>
Total Capital Assets, Net of Depreciation	<u>153,192,831</u>	<u>4,123,248</u>	<u>(307,655)</u>	<u>157,623,734</u>
Net Capital Assets	\$ <u>161,401,133</u>	\$ <u>13,098,907</u>	\$ <u>1,971,813</u>	\$ <u>172,528,227</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Depreciation expense was charged to functions of MPU as follows:

<b>Business-Type Activities:</b>	
Water Utility	\$ 2,125,629
Sewer Utility	1,593,278
Electric Utility	3,191,135
Steam Utility	43,587
Broadband	<u>81,005</u>
Total Depreciation Expense	7,034,634
Depreciation Charged to Sewer Utility for Shared Meter Expense	274,604
Salvage Charged to Accumulated Depreciation	<u>1,247,023</u>
Total Increase in Accumulated Depreciation Above	<u>\$ 8,556,261</u>

### NOTE 5 - ASSET RETIREMENT OBLIGATIONS

A legal obligation exists for MPU to perform future retirement activities for the decommissioning of the power plant complex and coal storage site, as the sites contain hazardous and other materials that require special handling based upon Federal Regulations. The estimated useful life remaining is 11 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 \$9,533,332 as of December 31, 2025. 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, 2025:

	<u>OUTSTANDING 1/1/2025</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>OUTSTANDING 12/31/2025</u>	<u>DUE WITHIN ONE YEAR</u>
<b>Business-Type Activities</b>					
General Obligation Debt					
Clean Water Loan Fund	\$ 6,730,051	\$ -	\$ 465,251	\$ 6,264,800	\$ 473,440
Building Note	2,969,373	-	629,450	2,339,923	679,806
Clean Water Fund Loan	2,250,492	5,256,968	-	7,507,460	-
Trailer Lease	140,016	-	68,457	71,559	71,559
Compensated Absences	<u>2,902,879</u>	-	<u>73,442</u>	<u>2,829,437</u>	<u>1,142,831</u>
Total	<u>\$ 14,992,811</u>	<u>\$ 5,256,968</u>	<u>\$ 1,236,600</u>	<u>\$ 19,013,179</u>	<u>\$ 2,367,636</u>

Total interest paid on long-term debt for the year ended December 31, 2025 was \$500,278.

	<u>DATE OF ISSUANCE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u>	<u>ORIGINAL INDEBTEDNESS</u>	<u>BALANCE 12/31/2025</u>
<b>Business-Type Activities</b>					
<b>Long-Term Obligations</b>					
2017 Clean Water Fund Loan	12/13/17	05/01/37	1.76%	\$ 9,346,760	\$ 6,264,800
2024 Clean Water Fund Loan	11/27/24	05/01/44	2.20%	13,774,848	7,507,460
Building Note	12/31/23	12/31/27	8.00%	5,419,197	<u>2,339,923</u>
Total Business-Type Activities Long-Term Obligations					<u>\$ 16,112,183</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

As of December 31, 2025, the Utility has withdrawn and accrued \$7,507,460 from the 2024 Clean Water Fund loan. The Utility is authorized to draw up to \$13,774,848 in total from this loan.

Principal and maturities for long-term obligations at December 31, 2025 are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2026	\$ 1,153,246	\$ 458,452	\$ 1,611,698
2027	2,490,437	465,901	2,956,338
2028	845,950	242,718	1,088,668
2029	861,886	226,108	1,087,994
2030	878,134	209,182	1,087,316
2031-2035	4,645,779	780,526	5,426,305
2036-2040	3,320,503	352,945	3,673,448
2041-2044	1,916,248	85,405	2,001,653
	<u>\$ 16,112,183</u>	<u>\$ 2,821,237</u>	<u>\$ 18,933,420</u>

## NOTE 7 - NET POSITION

Net position reported on the statement of net position at December 31, 2025 include the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 172,528,227
Property Held for Future Use	1,893,264
Investment in Nonutility Plant – Net	378,448
Less: Related Long-Term Debt Outstanding	(16,112,183)
Less: Lease Liability	(71,559)
Net Investment in Capital	<u>158,616,197</u>
Net Position Restricted For:	
Equipment Replacement	9,208,251
Debt Reserve	359,976
Pension	1,722,998
Total Restricted	<u>11,291,225</u>
Unrestricted	<u>53,968,149</u>
Total Net Position	<u>\$ 223,875,571</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 <https://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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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 (%)
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)
2024	3.6	15.0

**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 \$843,953 in contributions from the Utility.

Contribution rates as of December 31, 2025 are:

EMPLOYEE CATEGORY	EMPLOYEE	EMPLOYER
General (including teachers, executives, and elected officials)	6.95%	6.95%
Protective with Social Security	6.95%	14.95%
Protective without Social Security	6.95%	18.95%

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

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

At December 31, 2025, the Utility reported a liability of \$893,583 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2024, the Utility's proportion was 0.05438181%, which was an increase of 0.00032018% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the Utility recognized pension expense of \$1,194,837.

At December 31, 2025, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
Differences between projected and actual experiences	\$ 2,775,065	\$ 2,607,690
Changes in assumptions	265,143	-
Net differences between projected and actual earnings on pension plan investments	1,357,847	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	639	18,376
Employer contributions subsequent to the measurement date	843,953	-
<b>Total</b>	<b>\$ 5,242,647</b>	<b>\$ 2,626,066</b>

The \$843,953 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>YEAR ENDING DECEMBER 31,</b>	<b>NET DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES</b>
2026	\$ 531,488
2027	1,846,458
2028	(461,739)
2029	(143,579)
	<b>\$ 1,772,628</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

**Actuarial Assumptions.** The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability (Asset):	December 31, 2024
Experience Study:	January 1, 2021 – December 31, 2023 Published November 19, 2024
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% - 5.7%
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. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including seniority (merit) and separation rates. The total pension liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

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

ASSET ALLOCATION TARGETS AND EXPECTED RETURNS <sup>1</sup>			
AS OF DECEMBER 31, 2024			
CORE FUND ASSET CLASS	ASSET ALLOCATION %	LONG-TERM EXPECTED NOMINAL RATE OF RETURN %	LONG-TERM EXPECTED REAL RATE OF RETURN % <sup>2</sup>
Public Equity	38 %	7.0 %	4.3 %
Public Fixed Income	27	6.1	3.4
Private Equity/Debt	20	9.5	6.7
Inflation Sensitive	19	4.8	2.1
Real Estate	8	6.5	3.8
Leverage <sup>3</sup>	(12)	3.7	1.1
Total Core Fund	100 %*	7.5 %	4.8 %
<b>VARIABLE FUND ASSETS CLASS</b>			
U.S. Equities	70 %	6.5 %	3.8 %
International Equities	30	7.4	4.7
Total Variable Fund	100 %	6.9 %	4.2 %

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

<sup>2</sup>New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.6%.

<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%.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

**Single Discount Rate.** A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.). 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 the Utility's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.** The following presents the Utility's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the Utility'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 (5.80 percent) or 1-percentage-point higher (7.80 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)	\$ 8,382,977	\$ 893,583	\$ (4,427,416)

**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-andstudies/financial-reports-and-statements>.

**Payables to the Pension Plan.** The Utility is required to remit the monthly required contribution for both the employee and Utility portions by the last day of the following month. The amount due to WRS as of December 31, 2025 is \$60,106 for December payroll.

## 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Contribution rates as of December 31, 2025 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, 2024 are as listed below:

LIFE INSURANCE MEMBER CONTRIBUTION RATES *	
FOR THE YEAR ENDED DECEMBER 31, 2024	
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
60-64	0.49
65-69	0.57

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

During the reporting period, the LRLIF recognized \$3,995 in contributions from the employer.

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

At December 31, 2025, the Utility reported a liability of \$722,761 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net OPEB liability was based on the Utility's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2024, the Utility's proportion was 0.18474276%, which was a decrease of 0.00061498% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the Utility recognized OPEB expense of \$58,294.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

At December 31, 2025, the Utility 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	\$ -	\$ 75,193
Changes in Assumptions	177,345	405,381
Net differences between projected and actual earnings on OPEB plan investments	9,926	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,425	6,143
Employer contributions subsequent to the measurement date	3,995	-
<b>Total</b>	<b>\$ 290,691</b>	<b>\$ 486,717</b>

The \$3,995 reported as deferred outflows related to OPEB resulting from the Utility's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

YEAR ENDING DECEMBER 31,	NET DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES
2026	\$ (5,253)
2027	(40,999)
2028	(67,327)
2029	(61,745)
2030	(4,997)
Thereafter	(19,700)
<b>Total</b>	<b>(200,021)</b>

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2024
Measurement Date of Net OPEB Liability:	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2023, Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*:	4.08%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	4.09%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table

\* Based on the Bond Buyers GO index.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. The total OPEB liability for December 31, 2024 is based upon a rollforward of the liability calculated from the January 1, 2024 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.

### LOCAL OPEB LIFE INSURANCE ASSET ALLOCATION TARGETS AND EXPECTED RETURNS AS OF DECEMBER 31, 2024

ASSET CLASS	INDEX	TARGET ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN %
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	40 %	2.41 %
U.S. Mortgages	Bloomberg U.S. MBS	60	2.71
Inflation			2.30
Long-Term Expected Rate of Return			4.25

**Single Discount Rate.** A single discount rate of 4.09% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.32% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. 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, 2037.

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

**Sensitivity of the Utility's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.** The following presents the Utility's proportionate share of the net OPEB liability calculated using the discount rate of 4.09 percent, as well as what the Utility's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current rate:

	1% DECREASE TO DISCOUNT RATE (3.09%)	CURRENT DISCOUNT RATE (4.09%)	1% INCREASE TO DISCOUNT RATE (5.09%)
MPU's Proportionate Share of the Net OPEB Liability	\$ 966,072	\$ 722,761	\$ 535,269

**Payables to the OPEB Plan.** The Utility is required to remit the monthly required contribution for both the employee and Utility portions by the last day of the following month. As of December 31, 2025, 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.

	<u>2024</u>	<u>2023</u>	<u>AVERAGE</u>	<u>150 DAYS</u>
Water	\$ 6,659,807	\$ 6,058,750	\$ 6,359,279	\$ 2,613,402
Electric	50,616,755	54,836,035	52,726,395	21,668,382
Steam	1,535,568	1,684,285	1,609,927	661,614
Information Technology	1,499,643	-	749,822	308,146
Broadband	83,822	130,245	107,034	43,986
Sewer	5,283,797	4,639,954	4,961,876	2,039,127

As of December 31, 2025, 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 2024 and 2025. 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 - LEASE RECEIVABLES AND PAYABLES

### LEASE RECEIVABLES

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, 2025 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, 2025 is \$44,667 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, 2025, MPU recognized \$382,048 in lease revenue (including interest) related to these agreements. At December 31, 2025, MPU recorded a \$2,891,939 lease receivables and deferred inflows of resources for these arrangements.

<u>LEASES RECEIVABLE</u>	<u>BEGINNING BALANCES</u>			<u>ENDING BALANCES</u>
	<u>JANUARY 1, 2025</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>DECEMBER 31, 2025</u>
Water Tower - 1997	\$ 474,353	\$ -	\$ 51,570	\$ 422,783
Water Tower - 2002	624,755	-	39,519	585,236
Shredder Equipment	2,014,771	-	130,851	1,883,920
Total	<u>\$ 3,113,879</u>	<u>-</u>	<u>\$ 221,940</u>	<u>\$ 2,891,939</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) »

Remaining amounts to be received associated with these leases at December 31, 2025 are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2026	\$ 236,763	\$ 127,904	\$ 364,667
2027	252,432	113,870	366,302
2028	251,729	98,995	350,724
2029	268,798	112,419	381,217
2030	286,848	96,149	382,997
2031-2035	1,475,680	234,493	1,710,173
2036-2037	119,689	12,746	132,435
Total	\$ 2,891,939	\$ 796,576	\$ 3,688,515

### LEASE PAYABLE

MPU entered into a trailer lease agreement on March 11, 2024 for a five year lease agreement between January 1, 2022 through January 1, 2032. As of December 31, 2025, MPU is not expected not renew this agreement as the use of the trailers will lose its purpose. The lease agreement consist of a one time lump sum payment for the years 2022, 2023, and 2024 for \$224,403 at the signing of the lease. In 2025, MPU made its first payment since the lump sum payment for \$74,801. At December 31, 2025, MPU owes \$71,559 on the lease agreement.

<u>LEASES PAYABLE</u>	<u>BEGINNING BALANCES</u>			<u>ENDING BALANCES</u> <u>DECEMBER 31, 2025</u>
	<u>JANUARY 1, 2025</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	
Trailer Lease	\$ 140,016	\$ -	\$ 68,457	\$ 71,559

Remaining amounts to be paid associated with this lease at December 31, 2025 are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2026	\$ 71,559	\$ 3,242	\$ 74,801

### SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Wisconsin Retirement System

<u>WRS FISCAL</u> <u>YEAR END DATE</u> <u>(MEASUREMENT</u> <u>DATE)</u>	<u>MPU PROPORTION</u> <u>OF THE NET</u> <u>PENSION ASSET/</u> <u>LIABILITY</u>	<u>MPU</u> <u>PROPORTIONATE</u> <u>SHARE OF THE</u> <u>NET PENSION</u> <u>(ASSET)/LIABILITY</u>	<u>MPU'S</u> <u>COVERED</u> <u>PAYROLL</u>	<u>MPU'S</u> <u>PROPORTIONATE</u> <u>SHARE OF THE NET</u> <u>PENSION (ASSET)/</u> <u>LIABILITY AS A</u> <u>PERCENTAGE OF</u> <u>COVERED PAYROLL</u>	<u>PLAN FIDUCIARY</u> <u>NET POSITION AS</u> <u>A PERCENTAGE</u> <u>OF THE TOTAL</u> <u>PENSION LIABILITY</u>
12/31/2024	0.05438181%	\$ 893,583	\$ 11,824,147	7.56%	98.79%
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%

# MANITOWOC PUBLIC UTILITIES

CITY OF MANITOWOC, WISCONSIN

## REQUIRED SUPPLEMENTARY INFORMATION

### 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
12/31/2025	\$ 843,953	\$ 843,953	\$ -	\$ 12,486,047	6.76%
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%

### 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
12/31/2024	0.18474276%	\$ 722,761	\$ 10,529,592	6.86%	37.20%
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%

## REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) »

### 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
12/31/2025	\$ 3,995	\$ 3,995	\$ -	\$ 9,948,000	0.04%
12/31/2024	4,111	4,111	-	10,529,592	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	-	6,854,834	0.13%

\*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 2017.

#### 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.

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