

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Years Ended December 31, 2023 and 2022

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

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Independent Auditor's Report

To the Board of Trustees
Muscatine Power and Water
Muscatine, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the enterprise funds and fiduciary fund of Muscatine Power and Water (Utility), a component unit of the City of Muscatine, Iowa, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise funds and fiduciary fund of the Utility, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Notes 1 and 6 to the financial statements, the Utility has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, as of January 1, 2022. In accordance with GASB Statement No. 96, the financial statements as of and for the year then ended December 31, 2022, have been restated to reflect this change. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis discussion of changes in financial position between 2021 and 2022 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Other Information

Management is responsible for the other information included in the Financial Statements. The other information comprises the schedule of insurance coverage, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024 on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.



Dubuque, Iowa
April 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
MUSCATINE POWER AND WATER

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

We are providing this discussion to you, the reader of our financial statements, to explain the activities, plans and events that impacted our financial position during 2023 and 2022. This overview from management should provide the reader with information that is one of the three components of the entire financial statement. The other two components, which are audited by Eide Bailly LLP, Muscatine Power and Water's (MPW's) auditors, are the financial statements and notes to the financial statements. Please read the entire document to understand the events and conditions impacting MPW.

The Statements of Revenues, Expenses and Changes in Net Position report all revenues and expenses for the year. The Statements of Net Position include all assets, liabilities, deferred outflows of resources and deferred inflows of resources and indicate those amounts that are restricted. The Statements of Cash Flows report the cash from operating activities, as well as cash from non-capital financing activities, capital and related financing activities, and investing activities.

UTILITY FINANCIAL ANALYSIS

ELECTRIC UTILITY

The Electric Utility's retail sales were \$2.2 million higher than in 2022 due to a 5.5% higher average rate on 1.9% lower kWh sold. Wholesale electric revenue in 2023 was \$42.9 million lower than in 2022 due to a 46.8% lower average price and 21.9% lower volume sold.

The Electric Utility became debt free in 2011 and continued to be debt free through 2023.

Overall retail base rate adjustments of 1.30% effective July 1, 2023 and 2.0% effective July 1, 2022 were to cover infrastructure projects necessary to improve system reliability without taking on debt. In addition, MPW reinitiated its Energy Adjustment Clause (EAC) effective with billings in April 2023 and included \$2.2 million of EAC revenue in 2023 results from this reinitiation.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included forgiving \$25,327,000 of the amount owed, changing the fixed interest rate from 3.53% to 0.50% and modifying the amortization of the note from a 30-year period to a 20-year period. Accelerated principal payments of \$1,501,068 and \$1,493,600 were made in 2023 and 2022, respectively.

On November 29, 2022, the Board authorized the water utility to enter into a loan agreement with the electric utility, effective January 1, 2023. The primary terms of this \$2.0 million loan are a 7-year amortization schedule, a 4.5% interest rate, and principal and interest paid semi-annually. Principal payments of \$249,019 were made in 2023.

A power purchase agreement for wind energy was executed in June 2016. It is a 20-year agreement that commenced December 15, 2016 with the wind farm's commercial operation date. Total purchases were 55,996 MWh for 2023 and 53,928 MWh for 2022.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

Statements of Net Position

| <u>In thousands \$</u> | <u>2023</u> | Restated <u>2022</u> |
|---|--------------------------|--------------------------|
| Current Assets – Unrestricted | \$ 97,306 | \$ 91,491 |
| Non-Current Assets: | | |
| Capital Assets | 70,273 | 71,746 |
| Other Assets | 5,514 | 6,021 |
| Total Non-Current Assets | <u>75,787</u> | <u>77,767</u> |
| Total Assets | <u>173,093</u> | <u>169,257</u> |
| Deferred Outflows of Resources: | | |
| OPEB | 194 | 218 |
| Pension | 14,502 | 5,958 |
| Plant Decommissioning | 10,418 | |
| Total Deferred Outflows of Resources | <u>25,115</u> | <u>6,176</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 198,207</u> | <u>\$ 175,434</u> |
| Current Liabilities | 7,073 | 7,547 |
| Non-Current Liabilities | 33,694 | 2,255 |
| Total Liabilities | <u>40,767</u> | <u>9,802</u> |
| Deferred Inflows of Resources: | | |
| Extraordinary O&M Account | 28,033 | 28,033 |
| OPEB | 78 | 63 |
| Pension | 355 | 10,403 |
| Total Deferred Inflows of Resources | <u>28,466</u> | <u>38,499</u> |
| Net Position: | | |
| Investment in Capital Assets | 69,755 | 71,654 |
| Unrestricted | 59,219 | 55,478 |
| Total Net Position | <u>128,974</u> | <u>127,133</u> |
| Total Liabilities, Deferred Inflows of Resources, & Net Position | <u>\$ 198,207</u> | <u>\$ 175,434</u> |

2023 COMPARED TO 2022

- Total assets and deferred outflows increased by \$22.8 million; differences include:
 - \$10.4 million higher due to recognition of anticipated cost for plant decommissioning and recognized as a deferred outflow; and
 - \$10.7 million higher fuel inventory.

Offset by decrease of:

- \$5.1 million lower cash and investments; and
- \$1.5 million lower capital assets, net of retirements.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

2023 COMPARED TO 2022 (cont.)

- Non-current liabilities increased \$31.4 million, primarily due to a \$19.0 million increase to net pension liability and an increase of \$12.0 million to plant decommissioning.
- Deferred inflows of resources decreased \$10.0 million due to an annual GASB 68 pension adjustment.

Additional information on changes in utility plant and long-term obligations are provided in Notes 3 and 5, respectively.

Statements of Revenue, Expenses and Changes in Net Position

| <u>In thousands \$</u> | <u>2023</u> | Restated <u>2022</u> |
|---|-------------------|-------------------------|
| Operating Revenues | \$ 98,011 | \$ 146,837 |
| Operating Expenses | <u>(99,413)</u> | <u>(141,347)</u> |
| Operating Income | <u>(1,403)</u> | <u>5,490</u> |
| Non-operating Revenues | 3,263 | 643 |
| Non-operating Expenses | <u>(52)</u> | <u>(2)</u> |
| Net Non-operating Revenues | <u>3,210</u> | <u>641</u> |
| Net Income before Capital Contributions | 1,807 | 6,131 |
| Capital Contributions | <u>34</u> | <u>10</u> |
| Change in Net Position | 1,842 | 6,142 |
| Net Position - Beginning of Year | <u>127,133</u> | <u>120,991</u> |
| Net Position - End of Year | <u>\$ 128,974</u> | <u>\$ 127,133</u> |

- Total operating revenues decreased \$48.8 million, or 33.3%, primarily due to:
 - Increased retail electric sales of \$2.2 million 3.5% due to a 5.5% increase in price on 1.9% lower kWh sales; offset by
 - Decreased wholesale electric sales of \$42.9 million, or 58.5%, due to 46.8% lower price and 21.9% lower volume and
 - Steam contract with GPC expiration in December 2022.
- Total operating expenses decreased \$41.9 million, or 29.7%, due to:
 - \$10.4 million lower fuel costs;
 - \$33.5 million lower purchased electricity due to 49.5% lower average price and 1.8% lower kWh purchased; and
 - \$3.5 million lower depreciation expense; offset partially by
 - \$5.6 million of other operating expenses.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

Statements of Cash Flows

| <u>In thousands \$</u> | <u>2023</u> | <u>Restated 2022</u> |
|--|-------------------------|--------------------------|
| Cash Flows from Operating Activities | \$ (2,075) | \$ 9,924 |
| Cash Flows from Non-Capital Financing Activities | (137) | 1,527 |
| Cash Flows from Capital and Related Financing Activities | (5,084) | (12,752) |
| Cash Flows from Investing Activities | <u>8,041</u> | <u>(10,853)</u> |
| Net Change in Cash and Cash Equivalents | 746 | (12,154) |
| Cash and Cash Equivalents - Beginning of Year | <u>18,985</u> | <u>31,140</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 19,732</u> | <u>\$ 18,985</u> |

2023 COMPARED TO 2022

- Cash flows from operating activities decreased by \$12.0 million primarily due to:
 - \$2.7 million higher retail sales;
 - \$33.5 million lower payments for purchased power
 - \$1.9 million lower payments to suppliers;

Offset by:

- \$42.1 million lower wholesale electric sales; and
- \$8.4 million lower steam sales.

\$1.7 million of lower cash flows from non-capital financing activities, which are comprised of the principal and interest on the note receivable from the communications and water utilities.

Cash flows from capital and related financing activities included capital expenditures of \$5.1 million in 2023, compared to \$12.8 million in 2022.

- Cash flows from investing activities include:
 - Net investment activity of \$8.0 million in 2023, compared to a negative \$10.9 million in 2022; and
 - Interest received on investments of \$2.3 million in 2023, compared to \$0.3 million in 2022, reflect higher interest rates on lower invested asset base.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY

The Board approved water rate increases in 2023 and 2022 in response to increased capital requirements necessary to provide for fire protection, community growth and higher operation and maintenance costs. The 2023 overall rate increase of 8.0% was effective July 1, 2023, and the 2022 overall rate increase of 4.0% was effective July 1, 2022.

In 2023, MPW's contract customers accounted for approximately 88.5% of gallons sold and 55.7% of operating revenues.

In May 2017, the Board approved the bond issuance and the payment of future obligations on those bonds for the purpose of constructing water improvements and extensions. The water utility issued \$14.9 million of water revenue bonds in June 2017 for that purpose. The outstanding principal due on the bonds was \$12.4 million on December 31, 2023.

In November 2022, the Board approved for the water utility to enter into a 7-year loan with the electric utility in the amount of \$2,000,000 at a 4.5% interest rate. The loan was issued January 1, 2023. Semiannual payments of principal and interest are due each June 30 and December 31.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

| Statements of Net Position | | |
|---|------------------|--------------------------|
| <u>In thousands \$</u> | <u>2023</u> | <u>Restated 2022</u> |
| Current Assets: | | |
| Unrestricted | \$ 5,462 | \$ 3,950 |
| Restricted | 947 | 948 |
| Total Current Assets | <u>6,409</u> | <u>4,898</u> |
| Non-Current Assets: | | |
| Capital Assets | 31,576 | 30,812 |
| Other Assets | 35 | 63 |
| Total Non-Current Assets | <u>31,611</u> | <u>30,875</u> |
| Total Assets | <u>38,020</u> | <u>35,774</u> |
| Deferred Outflows of Resources: | | |
| OPEB | 28 | 31 |
| Pension | 1,268 | 597 |
| Total Deferred Outflows of Resources | <u>1,295</u> | <u>628</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 39,315</u> | <u>\$ 36,401</u> |
| Current Liabilities | | |
| | 1,378 | 1,133 |
| Non-Current Liabilities | | |
| | 16,015 | 13,412 |
| Total Liabilities | <u>17,392</u> | <u>14,545</u> |
| Deferred Inflows of Resources: | | |
| OPEB | 12 | 10 |
| Pension | 82 | 858 |
| Total Deferred Inflows of Resources | <u>94</u> | <u>868</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 18,491 | 17,424 |
| Restricted for Debt Service | 905 | 904 |
| Unrestricted | 2,433 | 2,660 |
| Total Net Position | <u>21,828</u> | <u>20,988</u> |
| Total Liabilities, Deferred Inflows of Resources, & Net Position | <u>\$ 39,315</u> | <u>\$ 36,401</u> |

2023 COMPARED TO 2022

- Total assets and deferred outflows increased by \$2.9 million, or 8.0%; primarily due to:
 - Capital assets, net of retirements, increasing \$0.8 million, due to normal capital spending for utility construction and acquisition projects;
 - Cash and investments increasing \$1.4 million; and
 - Deferred outflows of resources increasing \$0.7 million.
- Total liabilities increased by \$2.8 million, or 19.6%, primarily due to:
 - New 2023 debt financing from Electric utility for \$2.0 million at beginning of 2023 with subsequent payment of \$0.25 million resulting in a current principal balance of \$1.8 million; and
 - Net pension liability increasing by \$1.5 million due to annual GASB 68 adjustment.
- Deferred inflows of resources decreased \$0.8 million primarily due to the GASB 68 pension adjustment.

Additional information on changes in utility plant and long-term liabilities is provided in Notes 3 and 5, respectively.

See Independent Auditor's Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

| | 2023 | Restated 2022 |
|---|------------------|------------------|
| <u>In thousands \$</u> | | |
| Operating Revenues | \$ 8,375 | \$ 8,022 |
| Operating Expenses | <u>(7,334)</u> | <u>(6,505)</u> |
| Operating Income | <u>1,041</u> | <u>1,518</u> |
| | | |
| Non-operating Revenues | 418 | 130 |
| Non-operating Expenses | <u>(619)</u> | <u>(616)</u> |
| Net Non-operating Expenses | <u>(200)</u> | <u>(486)</u> |
| | | |
| Net Income before Capital Contributions | 841 | 1,032 |
| Capital Contributions | <u>-</u> | <u>215</u> |
| | | |
| Change in Net Position | 841 | 1,247 |
| Net Position - Beginning of Year | <u>20,988</u> | <u>19,740</u> |
| | | |
| Net Position - End of Year | <u>\$ 21,828</u> | <u>\$ 20,988</u> |

2023 COMPARED TO 2022

- Operating revenues increased \$352,500, or 4.4%, due to:
 - Total water retail sales were \$354,300 higher due to an 8.0% rate adjustment effective July 1, 2023.
- Operating expenses increased \$829,000, or 12.7%, primarily due to:
 - \$33,500 higher purchased electricity costs;
 - \$143,400 higher chemical costs;
 - \$169,000 higher well maintenance;
 - \$380,000 higher administrative and general costs; and
 - \$101,400 higher depreciation and amortization costs.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

Statements of Cash Flows

| <u>In thousands \$</u> | <u>2023</u> | Restated <u>2022</u> |
|--|-----------------|-------------------------|
| Cash Flows from Operating Activities | \$ 1,966 | \$ 2,084 |
| Cash Flows from Capital and Related Financing Activities | (767) | (2,644) |
| Cash Flows from Investing Activities | <u>(2,497)</u> | <u>(259)</u> |
| Net Change in Cash and Cash Equivalents | (1,297) | (819) |
| Cash and Cash Equivalents - Beginning of Year | <u>3,130</u> | <u>3,949</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,832</u> | <u>\$ 3,130</u> |

2023 COMPARED TO 2022

- Cash flows from operating activities decreased \$118,300, or 5.7%, primarily due to:
 - \$401,100 higher supplier costs; offset by
 - \$286,900 higher retail sales.
- Cash flows from capital and related financing activities reflect \$2.0 million additional debt loan proceeds from Electric utility offset by \$336,200 principal and interest payments paid against loan, with capital expenditures being \$110,000 lower compared to 2022.
- Cash flows from investing activities reflect investments of \$2.95 million, which is \$2.65 million higher compared to the 2022 investment amount of \$300,000.

COMMUNICATIONS UTILITY

Rate adjustments for the communications utility were approved by the Board for both 2023 and 2022. Effective May 1, 2023, Digital TV Basic service rates increased \$1.00 to \$25.99 per month and Select Digital TV service rates increased \$2.00 to \$89.99 per month. In addition to the rate increases, a broadcast service charge increased from \$19.95 per month in 2022 to \$22.09 per month in 2023 and is applied to all packages to cover local network channel fees. In addition, plus the regional sports charge increased by \$2.60 to \$9.49 per month to help cover programmers' additional sports package increases.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. Principal payments of \$1,501,068 and 1,493,600 were made in 2023 and 2022, respectively. The 2023 principal payment was increased by \$1,000,000 due to favorable cash position. The principal balance as of December 31, 2023 was \$3,618,211.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

On September 3, 2020, the Communications Revenue Bond, Series 2020, was signed with a local bank providing \$3.7 million for additional financing support related to the Fiber-to-the-Home project and extensions to the communications utility. This bond bears interest at the rate of 2.73% per annum. Both principal and interest are payable in 28 quarterly installments of \$145,860 each, due on March 30, June 30, September 30 and December 30, beginning December 30, 2020 with final payment due September 30, 2027. Principal payments of \$517,980 and \$504,077 were made in 2023 and 2022, respectively. The principal balance as of December 31, 2023 was \$2,072,919.

On January 5, 2021, the communications utility closed on the \$6.3 million Communications Revenue Bond, Series 2021, issued at a rate of 2.73% per annum. Both principal of and interest on this bond are payable in 27 equal quarterly installments in the amount of \$256,611 each, due on March 30, June 30, September 30 and December 30, in each of the years 2021 to 2027, beginning March 30, 2021 with final payment due September 30, 2027. A Communications Revenue Bond, Series 2017, which had a principal balance due of \$4,175,144, was paid off with proceeds from this bond issue at its closing. The principal balance as of December 31, 2023 was \$3,635,617.

Statements of Net Position

| <u>In thousands \$</u> | <u>2023</u> | Restated <u>2022</u> |
|---|-------------------------|-------------------------|
| Current Assets – Unrestricted | \$ 11,080 | \$ 11,507 |
| Non-Current Assets: | | |
| Capital Assets | 18,870 | 19,159 |
| Other Assets | - | 109 |
| Total Non-Current Assets | <u>18,870</u> | <u>19,267</u> |
| Total Assets | <u>29,949</u> | <u>30,775</u> |
| Deferred Outflows of Resources: | | |
| OPEB | 42 | 46 |
| Pension | <u>2,596</u> | <u>1,087</u> |
| Total Deferred Outflows of Resources | <u>2,638</u> | <u>1,133</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 32,587</u> | <u>\$ 31,908</u> |
| Current Liabilities | 2,669 | 2,558 |
| Non-Current Liabilities | <u>11,877</u> | <u>11,202</u> |
| Total Liabilities | <u>14,546</u> | <u>13,760</u> |
| Deferred Inflows of Resources: | | |
| OPEB | 17 | 14 |
| Pension | <u>62</u> | <u>1,873</u> |
| Total Deferred Inflows of Resources | <u>79</u> | <u>1,886</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 12,738 | 12,007 |
| Unrestricted | <u>5,225</u> | <u>4,255</u> |
| Total Net Position | <u>17,963</u> | <u>16,262</u> |
| Total Liabilities, Deferred Inflows of Resources, & Net Position | <u>\$ 32,587</u> | <u>\$ 31,908</u> |

See Independent Auditor's Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022
(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2023 COMPARED TO 2022

- Total assets and deferred outflows of resources increased \$0.7 million, or 2.1%, primarily due to:
 - \$0.2 million increase in inventory for upcoming capital projects in 2024 and customer premise equipment;
 - \$1.5 million increase in deferred outflows of resources due to the GASB 68 pension adjustment; offset by
 - \$1.2 million decrease in cash and investment balances due to additional debt payment to Electric utility; and
 - \$0.3 million decrease in capital assets, net of retirements, resulting from retirements of assets no longer in service.
- Current liabilities increased \$0.1 million, or 4.4%.
- Non-current liabilities increased \$0.7 million primarily due to:
 - \$1.5 million decrease to long term debt, net of current portion;
 - \$1.5 million decrease in notes payable to electric utility; offset by
 - \$3.4 million increase in net pension liability due to GASB 68 annual adjustment.
- Deferred inflows of resources decreased \$1.8 million primarily due to GASB 68.

Additional information on changes in utility plant and long-term obligations are provided in Notes 3 and 5, respectively.

Statements of Revenue, Expenses and Changes in Net Position

| In thousands \$ | 2023 | Restated 2022 |
|---|------------------|------------------|
| Operating Revenues | \$ 15,611 | \$ 15,801 |
| Operating Expenses | <u>(14,161)</u> | <u>(13,411)</u> |
| Operating Income | <u>1,449</u> | <u>2,390</u> |
| Non-operating Revenues | 471 | 90 |
| Non-operating Expenses | <u>(220)</u> | <u>(520)</u> |
| Net Non-operating Expenses | <u>251</u> | <u>(429)</u> |
| Net Income before Capital Contributions | 1,701 | 1,961 |
| Capital Contributions | <u>-</u> | <u>-</u> |
| Change in Net Position | 1,701 | 1,961 |
| Net Position - Beginning of Year | <u>16,262</u> | <u>14,301</u> |
| Net Position - End of Year | <u>\$ 17,963</u> | <u>\$ 16,262</u> |

See Independent Auditor's Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2023 COMPARED TO 2022

- Operating revenues decreased \$190,800, or 1.2%, due to:
 - Video operating revenues decreased by \$255,600, or 4.0%, due to:
 - 6.2% decrease in the total number of video subscribers (3,876 at the end of 2023 compared to 4,149 at the end of 2022); offset by
 - Ad insertion revenue increased by \$65,200.
 - Internet revenues increased \$143,400, or 1.8%, primarily due to:
 - 2.5% increase in the total number of Internet subscribers (10,230 at the end of 2023 compared to 9,875 at the end of 2022) offset partially by lower pricing adjustments.
 - Phone services were first made available to customers in February 2018. Revenue continues to grow, amounting to \$363,200 in 2023, up from \$325,500 in 2022.
 - MAN revenues decreased \$47,000, or 5.3%, in 2023 due to pricing adjustments.
- Operating expenses increased by \$750,300, or 5.6%, primarily due to:
 - \$24,300 higher maintenance costs;
 - \$63,600 higher operational costs;
 - \$67,800 higher depreciation and amortization;
 - \$717,800 higher administrative and general costs; offset by
 - \$101,700 lower programming costs (due to lower video subscriber counts)
 - \$30,700 lower data access fee costs; and
 - \$32,100 lower administrative and general labor costs.

Statements of Cash Flows

| <u>In thousands \$</u> | <u>2023</u> | Restated <u>2022</u> |
|--|----------------------|-------------------------|
| Cash Flows from Operating Activities | \$ 3,620 | \$ 4,106 |
| Cash Flows from Capital and Related Financing Activities | (5,043) | (3,986) |
| Cash Flows from Investing Activities | <u>(3,465)</u> | <u>(1,492)</u> |
| Net Change in Cash and Cash Equivalents | (4,888) | (1,372) |
| Cash and Cash Equivalents - Beginning of Year | <u>5,111</u> | <u>6,482</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 223</u> | <u>\$ 5,111</u> |

See Independent Auditor's Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2023 COMPARED TO 2022

- Cash flows from operating activities decreased \$485,500, or 11.8%, primarily due to:
 - \$426,400 decrease in cash received from retail sales;
 - \$597,200 increase in cash paid to suppliers; offset by
 - \$483,300 lower cash paid for employee payroll and benefits.
- Capital and related financing activities include:
 - Capital expenditures in 2023 and 2022 totaled \$1.9 million and \$0.9 million, respectively; and
 - Debt principal and interest payments in 2023 and 2022 totaled \$3.2 million and \$3.1 million respectively.
- Cash flows from investing activities include:
 - Net investment activity of \$3.7 million in 2023 compared to net investment activity of \$1.6 million in 2022; and
 - Interest received on investments of \$269,100 in 2023 compared to \$74,600 in 2022, reflects higher interest rates on increased investment balance.

CONTACTING UTILITY MANAGEMENT

This financial report is designed to provide a general overview of MPW's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Finance & Administrative Services, at 3205 Cedar Street, Muscatine, Iowa 52761.

MUSCATINE POWER AND WATER

STATEMENTS OF NET POSITION As of December 31, 2023 and 2022

| ASSETS | ELECTRIC UTILITY | | WATER UTILITY | | COMMUNICATIONS UTILITY | | TOTALS | |
|--|-----------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|-----------------------|-----------------------|
| | 2023 | Restated 2022 | 2023 | Restated 2022 | 2023 | Restated 2022 | 2023 | Restated 2022 |
| CURRENT ASSETS | | | | | | | | |
| Unrestricted Assets | | | | | | | | |
| Cash | \$ 19,731,624 | \$ 18,985,498 | \$ 885,518 | \$ 2,181,603 | \$ 223,057 | \$ 5,110,624 | \$ 20,840,200 | \$ 26,277,725 |
| Investments | 43,244,749 | 49,045,773 | 2,950,000 | 300,000 | 7,800,000 | 4,066,355 | 53,994,749 | 53,412,127 |
| Receivables: | | | | | | | | |
| Customer accounts, net | 6,869,188 | 8,138,977 | 934,575 | 908,200 | 1,695,033 | 1,514,930 | 9,498,796 | 10,562,108 |
| Interest | 1,093,509 | 293,668 | 67,986 | 1,890 | 213,487 | 17,654 | 1,374,982 | 313,212 |
| Inventories: | | | | | | | | |
| Fuel | 20,109,436 | 9,373,856 | - | - | - | - | 20,109,436 | 9,373,856 |
| Emission allowances | 580,480 | 580,480 | - | - | - | - | 580,480 | 580,480 |
| Materials and supplies | 4,769,301 | 4,321,575 | 570,323 | 510,213 | 791,403 | 560,366 | 6,131,027 | 5,392,154 |
| Prepaid and other expenses | 907,333 | 750,758 | 53,872 | 48,419 | 356,870 | 237,215 | 1,318,076 | 1,036,393 |
| Total Unrestricted Assets | <u>97,305,621</u> | <u>91,490,585</u> | <u>5,462,274</u> | <u>3,950,325</u> | <u>11,079,850</u> | <u>11,507,144</u> | <u>113,847,746</u> | <u>106,948,054</u> |
| Restricted Assets - Cash | - | - | 946,700 | 947,950 | - | - | 946,700 | 947,950 |
| Total Current Assets | <u>97,305,621</u> | <u>91,490,585</u> | <u>6,408,974</u> | <u>4,898,275</u> | <u>11,079,850</u> | <u>11,507,144</u> | <u>114,794,446</u> | <u>107,896,004</u> |
| NON-CURRENT ASSETS | | | | | | | | |
| Capital Assets | | | | | | | | |
| Utility plant in service | 439,746,216 | 433,139,032 | 45,159,187 | 43,387,066 | 30,396,492 | 28,817,310 | 515,301,895 | 505,343,407 |
| Subscription based IT assets | 686,287 | 139,213 | 253,761 | 12,031 | 504,085 | 20,624 | 1,444,134 | 171,868 |
| Construction work in progress | 1,136,242 | 3,270,769 | 277,425 | 556,109 | 634,633 | 413,920 | 2,048,300 | 4,240,798 |
| Less: accumulated depreciation/amortization | <u>(371,295,432)</u> | <u>(364,802,937)</u> | <u>(14,114,404)</u> | <u>(13,143,380)</u> | <u>(12,665,566)</u> | <u>(10,093,249)</u> | <u>(398,075,402)</u> | <u>(388,039,565)</u> |
| Total Capital Assets | <u>70,273,314</u> | <u>71,746,077</u> | <u>31,575,968</u> | <u>30,811,827</u> | <u>18,869,645</u> | <u>19,158,604</u> | <u>120,718,927</u> | <u>121,716,508</u> |
| Other Assets | | | | | | | | |
| Note receivable from communications utility | 3,618,211 | 5,119,279 | - | - | - | - | 3,618,211 | 5,119,279 |
| Note receivable from water utility | 1,750,981 | - | - | - | - | - | 1,750,981 | - |
| Unamortized debt insurance costs | - | - | 35,063 | 38,332 | - | - | 35,063 | 38,332 |
| Joint venture rights | 144,450 | 144,158 | - | - | - | - | 144,450 | 144,158 |
| Net pension asset | - | 757,144 | - | 25,088 | - | 108,785 | - | 891,017 |
| Total Other Assets | <u>5,513,642</u> | <u>6,020,580</u> | <u>35,063</u> | <u>63,420</u> | <u>-</u> | <u>108,785</u> | <u>5,548,705</u> | <u>6,192,786</u> |
| Total Non-Current Assets | <u>75,786,956</u> | <u>77,766,657</u> | <u>31,611,032</u> | <u>30,875,247</u> | <u>18,869,645</u> | <u>19,267,389</u> | <u>126,267,632</u> | <u>127,909,294</u> |
| Total Assets | <u>173,092,577</u> | <u>169,257,243</u> | <u>38,020,006</u> | <u>35,773,522</u> | <u>29,949,495</u> | <u>30,774,533</u> | <u>241,062,078</u> | <u>235,805,298</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | |
| OPEB deferred outflows of resources | 194,422 | 218,255 | 27,547 | 30,679 | 41,522 | 46,389 | 263,490 | 295,322 |
| Pension deferred outflows of resources | 14,501,829 | 5,958,088 | 1,267,549 | 596,910 | 2,596,162 | 1,087,086 | 18,365,540 | 7,642,083 |
| Plant decommissioning | 10,418,452 | - | - | - | - | - | 10,418,452 | - |
| Total Deferred Outflows of Resources | <u>25,114,703</u> | <u>6,176,343</u> | <u>1,295,095</u> | <u>627,589</u> | <u>2,637,683</u> | <u>1,133,474</u> | <u>29,047,482</u> | <u>7,937,406</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 198,207,280</u> | <u>\$ 175,433,585</u> | <u>\$ 39,315,101</u> | <u>\$ 36,401,111</u> | <u>\$ 32,587,178</u> | <u>\$ 31,908,008</u> | <u>\$ 270,109,560</u> | <u>\$ 243,742,704</u> |

See accompanying notes to financial statements.

| | ELECTRIC UTILITY | | WATER UTILITY | | COMMUNICATIONS UTILITY | | TOTALS | |
|---|-----------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|-----------------------|-----------------------|
| | Restated | | Restated | | Restated | | Restated | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| CURRENT LIABILITIES | | | | | | | | |
| Payable From Unrestricted Assets | | | | | | | | |
| Trade accounts payable | \$ 2,529,871 | \$ 3,363,524 | \$ 277,811 | \$ 338,736 | \$ 602,494 | \$ 603,790 | \$ 3,410,177 | \$ 4,306,049 |
| Accrued expenses | 3,080,580 | 3,062,814 | 293,637 | 320,872 | 465,467 | 499,822 | 3,839,684 | 3,883,508 |
| Unearned revenue | 6,688 | 15,693 | 1,200 | 1,200 | 17,500 | 17,500 | 25,388 | 34,393 |
| Customer deposits | 1,015,912 | 1,057,357 | - | - | - | - | 1,015,912 | 1,057,357 |
| Non-customer deposits | 270,000 | - | - | - | - | - | 270,000 | - |
| Subscription based IT arrangements | 169,905 | 47,575 | 58,022 | 4,111 | 114,860 | 7,048 | 342,787 | 58,734 |
| Current portion of long-term debt | - | - | - | - | 1,468,994 | 1,429,565 | 1,468,994 | 1,429,565 |
| Total Payable From Unrestricted Assets | <u>7,072,956</u> | <u>7,546,962</u> | <u>630,671</u> | <u>664,919</u> | <u>2,669,315</u> | <u>2,557,725</u> | <u>10,372,941</u> | <u>10,769,606</u> |
| Payable From Restricted Assets | | | | | | | | |
| Current portion of long-term debt | - | - | 705,351 | 425,000 | - | - | 705,351 | 425,000 |
| Accrued interest payable | - | - | 41,808 | 43,579 | - | - | 41,808 | 43,579 |
| Total Payable From Restricted Assets | - | - | <u>747,160</u> | <u>468,579</u> | - | - | <u>747,160</u> | <u>468,579</u> |
| Total Current Liabilities | <u>7,072,956</u> | <u>7,546,962</u> | <u>1,377,831</u> | <u>1,133,498</u> | <u>2,669,315</u> | <u>2,557,725</u> | <u>11,120,101</u> | <u>11,238,185</u> |
| NON-CURRENT LIABILITIES | | | | | | | | |
| Note payable to electric utility | - | - | 1,490,629 | - | 3,618,211 | 5,119,279 | 5,108,840 | 5,119,279 |
| Long-term debt, net of current portion | - | - | 12,040,000 | 12,485,000 | 4,239,542 | 5,708,536 | 16,279,542 | 18,193,536 |
| Unamortized bond premium | - | - | 388,145 | 470,200 | - | - | 388,145 | 470,200 |
| Unearned revenue | - | - | - | - | 106,980 | 124,480 | 106,980 | 124,480 |
| Total OPEB liability | 823,745 | 847,241 | 120,609 | 123,697 | 174,848 | 179,647 | 1,119,202 | 1,150,584 |
| Health and dental care provision | 270,437 | 125,634 | 588 | 6,118 | 570 | 9,994 | 271,595 | 141,745 |
| Net pension liability | 19,019,749 | 53,311 | 1,820,447 | 322,785 | 3,428,236 | 53,487 | 24,268,432 | 429,583 |
| Subscription based IT arrangements | 348,132 | 44,337 | 154,113 | 3,832 | 308,246 | 6,569 | 810,491 | 54,737 |
| Plant decommissioning | 12,012,000 | - | - | - | - | - | 12,012,000 | - |
| Landfill closure and post-closure liability | 1,220,335 | 1,184,967 | - | - | - | - | 1,220,335 | 1,184,967 |
| Total Non-Current Liabilities | <u>33,694,398</u> | <u>2,255,489</u> | <u>16,014,531</u> | <u>13,411,632</u> | <u>11,876,633</u> | <u>11,201,990</u> | <u>61,585,561</u> | <u>26,869,111</u> |
| Total Liabilities | <u>40,767,353</u> | <u>9,802,451</u> | <u>17,392,362</u> | <u>14,545,130</u> | <u>14,545,947</u> | <u>13,759,715</u> | <u>72,705,662</u> | <u>38,107,296</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Extraordinary O&M - regulatory deferred inflow | 28,032,866 | 28,032,866 | - | - | - | - | 28,032,866 | 28,032,866 |
| OPEB deferred inflows of resources | 78,108 | 62,581 | 12,055 | 10,014 | 16,740 | 13,569 | 106,903 | 86,164 |
| Pension deferred inflows of resources | 354,709 | 10,403,185 | 82,338 | 858,351 | 61,963 | 1,872,773 | 499,010 | 13,134,309 |
| Total Deferred Inflows of Resources | <u>28,465,684</u> | <u>38,498,632</u> | <u>94,393</u> | <u>868,365</u> | <u>78,703</u> | <u>1,886,342</u> | <u>28,638,780</u> | <u>41,253,339</u> |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 69,755,277 | 71,654,165 | 18,490,688 | 17,423,684 | 12,738,003 | 12,006,887 | 100,983,968 | 101,084,736 |
| Restricted for debt service | - | - | 904,892 | 904,371 | - | - | 904,892 | 904,371 |
| Unrestricted | 59,218,966 | 55,478,337 | 2,432,767 | 2,659,561 | 5,224,525 | 4,255,064 | 66,876,258 | 62,392,962 |
| Total Net Position | <u>128,974,243</u> | <u>127,132,502</u> | <u>21,828,346</u> | <u>20,987,616</u> | <u>17,962,528</u> | <u>16,261,951</u> | <u>168,765,118</u> | <u>164,382,068</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 198,207,280</u> | <u>\$ 175,433,585</u> | <u>\$ 39,315,101</u> | <u>\$ 36,401,111</u> | <u>\$ 32,587,178</u> | <u>\$ 31,908,008</u> | <u>\$ 270,109,561</u> | <u>\$ 243,742,704</u> |

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

| | ELECTRIC UTILITY | | WATER UTILITY | | COMMUNICATIONS UTILITY | | TOTALS | |
|--|-----------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|-----------------------|-----------------------|
| | | Restated | | Restated | | Restated | | Restated |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| OPERATING REVENUES | | | | | | | | |
| Retail sales | \$ 65,292,047 | \$ 63,098,700 | \$ 8,336,275 | \$ 7,981,928 | \$ 15,522,188 | \$ 15,657,460 | \$ 89,150,508 | \$ 86,738,089 |
| Wholesale electric sales | 30,455,820 | 73,329,441 | - | - | - | - | 30,455,820 | 73,329,441 |
| Steam sales | - | 8,917,808 | - | - | - | - | - | 8,917,808 |
| Other | 2,262,832 | 1,491,020 | 38,562 | 40,420 | 88,484 | 143,990 | 2,389,878 | 1,675,430 |
| Total Operating Revenues | <u>98,010,699</u> | <u>146,836,969</u> | <u>8,374,837</u> | <u>8,022,349</u> | <u>15,610,671</u> | <u>15,801,450</u> | <u>121,996,207</u> | <u>170,660,768</u> |
| OPERATING EXPENSES | | | | | | | | |
| Production fuel | 15,575,543 | 25,979,059 | - | - | - | - | 15,575,543 | 25,979,059 |
| Purchased power | 32,822,721 | 66,291,988 | - | - | - | - | 32,822,721 | 66,291,988 |
| Emissions allowance | 309,493 | 304,792 | - | - | - | - | 309,493 | 304,792 |
| Other operating expenses | 28,841,605 | 23,263,504 | 5,035,933 | 4,491,188 | 10,414,900 | 9,774,510 | 44,292,438 | 37,529,202 |
| Maintenance | 13,267,043 | 13,439,176 | 1,265,539 | 1,082,669 | 1,149,186 | 1,107,068 | 15,681,768 | 15,628,912 |
| Depreciation/amortization | 8,597,024 | 12,068,636 | 1,032,214 | 930,798 | 2,597,411 | 2,529,583 | 12,226,649 | 15,529,017 |
| Total Operating Expenses | <u>99,413,429</u> | <u>141,347,154</u> | <u>7,333,687</u> | <u>6,504,654</u> | <u>14,161,496</u> | <u>13,411,161</u> | <u>120,908,613</u> | <u>161,262,969</u> |
| Operating Income/(Loss) | <u>(1,402,731)</u> | <u>5,489,815</u> | <u>1,041,150</u> | <u>1,517,694</u> | <u>1,449,175</u> | <u>2,390,289</u> | <u>1,087,594</u> | <u>9,397,799</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | |
| Investment income | 3,128,872 | 603,380 | 219,469 | 42,505 | 464,958 | 90,317 | 3,813,300 | 736,202 |
| Interest income on note receivable from water/communications utility | 112,826 | 33,065 | - | - | - | - | 112,826 | 33,065 |
| Gain/(Loss) on asset disposal | 20,935 | 6,792 | 116,715 | (78,168) | 6,250 | (278,468) | 143,901 | (349,845) |
| Interest expense | (52,462) | (1,824) | (615,390) | (534,225) | (219,806) | (241,079) | (887,658) | (777,128) |
| Bond insurance costs | - | - | (3,269) | (3,373) | - | - | (3,269) | (3,373) |
| Bond premium amortization | - | - | 82,055 | 87,552 | - | - | 82,055 | 87,552 |
| Net Non-Operating Revenues (Expenses) | <u>3,210,171</u> | <u>641,413</u> | <u>(200,419)</u> | <u>(485,709)</u> | <u>251,403</u> | <u>(429,231)</u> | <u>3,261,154</u> | <u>(273,527)</u> |
| Net income before capital contributions | 1,807,441 | 6,131,228 | 840,731 | 1,031,985 | 1,700,578 | 1,961,058 | 4,348,749 | 9,124,272 |
| CAPITAL CONTRIBUTIONS | 34,300 | 10,496 | - | 215,415 | - | - | 34,300 | 225,911 |
| CHANGE IN NET POSITION | 1,841,741 | 6,141,724 | 840,731 | 1,247,400 | 1,700,578 | 1,961,058 | 4,383,049 | 9,350,183 |
| NET POSITION - Beginning of Year as restated | <u>127,132,502</u> | <u>120,990,777</u> | <u>20,987,616</u> | <u>19,740,216</u> | <u>16,261,951</u> | <u>14,300,892</u> | <u>164,382,068</u> | <u>155,031,886</u> |
| NET POSITION - END OF YEAR | <u>\$ 128,974,243</u> | <u>\$ 127,132,502</u> | <u>\$ 21,828,346</u> | <u>\$ 20,987,616</u> | <u>\$ 17,962,528</u> | <u>\$ 16,261,951</u> | <u>\$ 168,765,118</u> | <u>\$ 164,382,068</u> |

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

| | ELECTRIC UTILITY | | WATER UTILITY | | COMMUNICATIONS UTILITY | | TOTALS | |
|---|------------------|------------------|---------------|------------------|------------------------|------------------|---------------|------------------|
| | 2023 | Restated 2022 | 2023 | Restated 2022 | 2023 | Restated 2022 | 2023 | Restated 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Cash received from retail sales | \$ 65,694,803 | \$ 62,974,275 | \$ 8,311,199 | \$ 8,024,296 | \$ 15,058,759 | \$ 15,485,175 | \$ 89,064,761 | \$ 86,483,746 |
| Cash received from wholesale electric sales | 31,188,369 | 73,238,667 | - | - | - | - | 31,188,369 | 73,238,667 |
| Cash received from steam sales | 679,778 | 9,083,571 | - | - | - | - | 679,778 | 9,083,571 |
| Cash received from coal sales | - | 200,157 | - | - | - | - | - | 200,157 |
| Cash received from advertising sales | - | - | - | - | 351,297 | 289,089 | 351,297 | 289,089 |
| Cash received from by-product sales | 533,440 | 427,949 | - | - | - | - | 533,440 | 427,949 |
| Cash received from other operating sources | 1,538,631 | 979,708 | 51,730 | 40,181 | 3,191 | 10,619 | 1,593,552 | 1,030,507 |
| Cash paid for coal and gas | (25,821,806) | (25,676,128) | - | - | - | - | (25,821,806) | (25,676,128) |
| Cash paid for purchased power | (32,822,721) | (66,291,988) | - | - | - | - | (32,822,721) | (66,291,988) |
| Cash paid to suppliers | (17,528,422) | (19,407,093) | (3,684,142) | (3,283,062) | (7,754,010) | (7,156,831) | (28,966,575) | (29,846,986) |
| Cash paid for employee payroll, taxes and benefits | (25,536,691) | (25,604,668) | (2,712,867) | (2,697,188) | (4,039,132) | (4,522,402) | (32,288,690) | (32,824,259) |
| Net Cash Flows From (Used For) Operating Activities | (2,074,619) | 9,924,450 | 1,965,920 | 2,084,226 | 3,620,104 | 4,105,650 | 3,511,404 | 16,114,328 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Interest received on note receivable from Communications utility | 25,596 | 33,064 | - | - | - | - | 25,596 | 33,064 |
| Principal received on note receivable from Communications utility | 1,501,068 | 1,493,600 | - | - | - | - | 1,501,068 | 1,493,600 |
| Interest received on note receivable from Water utility | 87,230 | - | - | - | - | - | 87,230 | - |
| Principal paid on note receivable from Water utility | (1,750,981) | - | - | - | - | - | (1,750,981) | - |
| Net Cash Flows From (Used For) Non-Capital Financing Activities | (137,086) | 1,526,664 | - | - | - | - | (137,086) | 1,526,664 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Acquisition and construction of capital assets | (5,104,588) | (12,780,211) | (1,592,163) | (1,702,168) | (1,898,962) | (865,424) | (8,595,713) | (15,347,803) |
| Net proceeds from sale/disposal of assets | 20,935 | 27,724 | 116,715 | 3,449 | 6,250 | 16,440 | 143,900 | 47,613 |
| Debt proceeds | - | - | 2,000,000 | - | - | - | 2,000,000 | - |
| Bond principal payments | - | - | (425,000) | (410,000) | - | - | (425,000) | (410,000) |
| Bond interest payments | - | - | (529,931) | (535,250) | - | - | (529,931) | (535,250) |
| Debt principal payments | - | - | (249,019) | - | (2,930,633) | (2,895,468) | (3,179,653) | (2,895,468) |
| Debt interest payments | - | - | (87,230) | - | (219,806) | (241,079) | (307,036) | (241,079) |
| Net Cash Flows From (Used For) Capital and Related Financing Activities | (5,083,653) | (12,752,487) | (766,628) | (2,643,969) | (5,043,151) | (3,985,531) | (10,893,433) | (19,381,987) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Proceeds from investments matured and sold | 51,844,969 | 52,574,820 | 1,000,000 | - | 5,566,355 | 2,500,000 | 58,411,323 | 55,074,820 |
| Investments purchased | (46,043,945) | (63,653,587) | (3,650,000) | (300,000) | (9,300,000) | (4,066,355) | (58,993,945) | (68,019,942) |
| Purchase of joint venture rights | (88,570) | (98,880) | - | - | - | - | (88,570) | (98,880) |
| Interest received on investments | 2,329,031 | 324,880 | 153,373 | 40,615 | 269,126 | 74,632 | 2,751,530 | 440,127 |
| Net Cash Flows From (Used For) Investing Activities | 8,041,485 | (10,852,767) | (2,496,627) | (259,385) | (3,464,519) | (1,491,723) | 2,080,338 | (12,603,875) |
| Net Increase (Decrease) in Cash | 746,126 | (12,154,140) | (1,297,335) | (819,128) | (4,887,566) | (1,371,604) | (5,438,776) | (14,344,871) |
| CASH - Beginning of Year | | | | | | | | |
| Current unrestricted cash | 18,985,498 | 31,139,636 | 2,181,603 | 3,003,431 | 5,110,624 | 6,482,228 | 26,277,725 | 40,625,295 |
| Current restricted cash | - | - | 947,950 | 945,250 | - | - | 947,950 | 945,250 |
| | 18,985,498 | 31,139,636 | 3,129,553 | 3,948,681 | 5,110,624 | 6,482,228 | 27,225,675 | 41,570,545 |
| CASH - END OF YEAR | | | | | | | | |
| Current unrestricted cash | 19,731,624 | 18,985,498 | 885,518 | 2,181,603 | 223,057 | 5,110,624 | 20,840,200 | 26,277,725 |
| Current restricted cash | - | - | 946,700 | 947,950 | - | - | 946,700 | 947,950 |
| | \$ 19,731,624 | \$ 18,985,498 | \$ 1,832,218 | \$ 3,129,553 | \$ 223,057 | \$ 5,110,624 | \$ 21,786,900 | \$ 27,225,675 |

See accompanying notes to financial statements.

| | ELECTRIC UTILITY | | WATER UTILITY | | COMMUNICATIONS UTILITY | | TOTALS | |
|---|---|---------------------|---------------------|---------------------|------------------------|---------------------|---------------------|----------------------|
| | 2023 | Restated 2022 | 2023 | Restated 2022 | 2023 | Restated 2022 | 2023 | Restated 2022 |
| | RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES | | | | | | | |
| Operating income/(loss) | \$ (1,402,731) | \$ 5,489,815 | \$ 1,041,150 | \$ 1,517,694 | \$ 1,449,175 | \$ 2,390,289 | \$ 1,087,595 | \$ 9,397,799 |
| Non-Cash items in operating income (loss) | | | | | | | | |
| Depreciation/amortization | 8,597,024 | 12,036,408 | 1,032,214 | 930,798 | 2,597,411 | 2,529,583 | 12,226,649 | 15,496,789 |
| Amortization of joint venture rights | 88,277 | 83,938 | - | - | - | - | 88,277 | 83,938 |
| Changes in assets, liabilities, and deferrals | | | | | | | | |
| Customer accounts receivable | 1,304,089 | 79,921 | (26,375) | (29,632) | (180,102) | 933 | 1,097,612 | 51,222 |
| Inventories | (11,183,306) | (2,390,639) | (60,110) | (57,711) | (231,038) | (234,623) | (11,474,454) | (2,682,973) |
| Prepaid and other expenses | (156,575) | 88,159 | (5,453) | (6,098) | (119,655) | 10,275 | (281,683) | 92,335 |
| Trade accounts payable | (833,653) | (601,973) | (60,924) | 72,664 | (1,295) | 78,302 | (895,872) | (451,007) |
| Accrued expenses | 356,612 | (1,412,112) | (32,765) | (37,924) | (43,780) | (26,390) | 280,068 | (1,476,427) |
| OPEB related deferrals and liabilities | 15,864 | 11,488 | (3,088) | 3,208 | (4,798) | 4,984 | 7,977 | 19,680 |
| Pension related deferrals and liabilities | 1,154,861 | (3,478,733) | 81,272 | (308,773) | 171,686 | (630,202) | 1,407,819 | (4,417,709) |
| Unearned revenue | (9,005) | (120,347) | - | - | (17,500) | (17,500) | (26,505) | (137,848) |
| Customer deposits | (41,445) | 56,971 | - | - | - | - | (41,445) | 56,971 |
| Landfill closure and post closure liability | 35,368 | 81,557 | - | - | - | - | 35,368 | 81,557 |
| NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES | \$ (2,074,619) | \$ 9,924,451 | \$ 1,965,920 | \$ 2,084,226 | \$ 3,620,104 | \$ 4,105,650 | \$ 3,511,404 | \$ 16,114,327 |
| SUPPLEMENTAL SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES | | | | | | | | |
| Unpaid capital expenditures | \$ 83,594 | \$ 584,386 | \$ - | \$ 125,719 | \$ - | \$ 88,590 | \$ 83,594 | \$ 798,695 |

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF FIDUCIARY NET POSITION FIDUCIARY FUND

As of December 31, 2023 and 2022

| | Pension Trust Fund | |
|--------------------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Investments: | | |
| Large U.S. equity | \$ 36,995,633 | \$ 33,516,410 |
| Small/mid U.S. equity | 6,637,927 | 6,189,288 |
| International equity | 18,961,669 | 16,684,774 |
| Fixed income | 29,428,724 | 23,784,778 |
| Other | 6,499,738 | 6,999,904 |
| Total Assets | <u>\$ 98,523,691</u> | <u>\$ 87,175,154</u> |
| LIABILITIES | | |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> |
| FIDUCIARY NET POSITION | | |
| Net Position Restricted for Pensions | <u>\$ 98,523,691</u> | <u>\$ 87,175,154</u> |

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

For the Years Ended December 31, 2023 and 2022

| | Pension Trust Fund | |
|---|--------------------------|--------------------------|
| | 2023 | 2022 |
| ADDITIONS | | |
| Employer contributions | \$ 4,005,000 | \$ 3,840,000 |
| Net investment income: | | |
| Investment return | 12,768,588 | (17,380,492) |
| Investment expenses | <u>(38,507)</u> | <u>(34,137)</u> |
| Net investment income | <u>12,730,081</u> | <u>(17,414,629)</u> |
| Total Additions | <u>16,735,081</u> | <u>(13,574,629)</u> |
| DEDUCTIONS | | |
| Benefit payments | 5,228,235 | 4,904,679 |
| Administration expenses | <u>158,309</u> | <u>142,074</u> |
| Total Deductions | <u>5,386,544</u> | <u>5,046,753</u> |
| CHANGE IN FIDUCIARY NET POSITION | 11,348,537 | (18,621,382) |
| FIDUCIARY NET POSITION - Beginning of Year | <u>87,175,154</u> | <u>105,796,536</u> |
| FIDUCIARY NET POSITION - END OF YEAR | <u>\$ 98,523,691</u> | <u>\$ 87,175,154</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND STANDARDS OF ACCOUNTING

Muscatine Power and Water (utility) is a municipal utility serving the City of Muscatine, Iowa (municipality) and surrounding areas; its rates are set by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa (Board). The electric utility is engaged in the generation, transmission and distribution of electric power and steam and other related activities. The water utility is engaged in the supply, purification and distribution of water and other related activities. The communications utility is engaged in providing internet, video and network services and other related activities. The equity of the utility is vested in the City of Muscatine, Iowa.

The financial statements of the utility are presented in conformity with accounting principles generally accepted in the United States of America. When reporting financial activity, the utility applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, including the application of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

REPORTING ENTITY

The utility includes the electric, water and telecommunications enterprise funds, as well as the employee pension trust fiduciary fund. The utility is reported as a component unit in the City of Muscatine, Iowa's Annual Comprehensive Financial Report.

MEASUREMENT FOCUS, STANDARDS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CASH AND CASH EQUIVALENTS

The utility's cash and cash equivalents are considered to be general checking, saving and money market accounts. For purposes of the statements of cash flows, cash and cash equivalents have original maturities of 90 days or less at date of purchase.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

RECEIVABLES

An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of the year. For the years 2023 and 2022 the allowances were:

| | <u>2023</u> | <u>2022</u> |
|------------------------|-------------|-------------|
| Electric utility | \$40,910 | \$31,712 |
| Water utility | \$11,347 | \$14,502 |
| Communications utility | \$1,453 | \$1,248 |

INVENTORIES

Inventories consist of fuel (e.g., coal), emission allowances, and materials and supplies valued at lower of cost or market utilizing the weighted-average cost method, with the exception of emission allowances that were held for the electric utility's steam sales customer, which are valued at market. Materials and supplies are generally used for construction, operation and maintenance work, not for resale.

RESTRICTED ASSETS

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by actions of external parties. Current liabilities payable from these restricted assets are also classified as restricted.

CAPITAL ASSETS

Capital assets are stated at original cost, which includes the cost of contracted services, material, labor, overhead and an allowance for borrowed funds used during construction for only high-cost projects

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Replacements and betterments of depreciable property units are charged to capital assets. Routine maintenance and repairs are charged to expense as incurred. At the time depreciable property units are retired, the original cost of the unit is charged to the accumulated provision for depreciation, and cost of removal less salvage is charged to gain or loss on capital asset disposal.

On an ongoing basis, the utility reviews capital assets for impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. If such events or changes in circumstances occur, the utility will recognize an impairment loss. No such loss was recognized in 2023 or 2022.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

CAPITAL ASSETS (cont.)

The composite depreciation rates for 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|-------------|-------------|
| Electric Utility | | |
| Generation plant* | 1.3 % | 3.1 % |
| Transmission and distribution plant | 2.3 | 1.4 |
| General plant | 3.3 | 2.8 |
| Water Utility | | |
| Source of supply | 2.5 % | 2.5 % |
| Pumping equipment | 3.0 | 2.9 |
| Purification system | 1.7 | 1.9 |
| Distribution system | 2.4 | 2.3 |
| General plant | 5.5 | 4.7 |
| Communications Utility | | |
| Fiber Optic TV | 9.1 % | 2.3 % |
| Data/Internet | 6.5 | 5.9 |
| MAN | 6.1 | 0.7 |
| General plant | 9.7 | 7.7 |

*The utility has determined that the remaining lives of coal-fired generation assets are shorter than had been used prior to October 2020. Units 7 and 8 are planned for retirement by December 31, 2028. Therefore, depreciation on those assets was accelerated from October 2020. Unit 8A ceased operations in December 2022; therefore, it has been fully depreciated. For Unit 9, its planned retirement is anticipated as early as December 31, 2035. Therefore, depreciation on Unit 9 assets was also accelerated from October 2020 but with a longer remaining life than Plant 1 assets.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the utility's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term. Right-to-use IT assets are amortized over the subscription term using the straight-line method. The amortization periods vary from 3 to 5 years.

DEFERRED OUTFLOW OF RESOURCES

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Pension deferred outflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Notes 8, 10 and 11. OPEB deferred outflows relate to the GASB Statement No. 75 OPEB liability. Details of the account are included in Note 7. Plant decommissioning deferred outflows relate to the recording of decommissioning expenses over the expected lives of the retiring units described in Note 19.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

CUSTOMER ADVANCES FOR CONSTRUCTION

Customer advances for water construction projects are recorded as water utility plant and a liability at the time the asset is contributed to the utility. The utility reimburses the customer by annually refunding a portion of the advance over a contracted period of time. At the end of the contract, any remaining liability is reclassified as a capital contribution. The utility's most recent contract was paid out and closed in November 2022.

COMPENSATED ABSENCES

Employees are granted vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. These expenses are included in the accrued expenses on the statement of net position.

ACCRUED EXPENSES

Accrued expenses include unpaid sales tax, use tax, excise tax, accrued payroll and payroll taxes, accrued vacation, interest on customer deposits, insurance claim reserves, property tax and cable franchise fees payable to the city and surrounding communities.

UNEARNED REVENUE

The electric utility's unearned revenue is a result of prepayments for a land contract, capacity sales and renewable energy credits. The water utility's unearned revenue is deposits received for future construction projects. The communications utility's unearned revenue is a result of a 20-year contract to lease dark fiber to an Industrial I customer.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the total OPEB liability and determining the OPEB expense, there is no fiduciary net position of the OPEB Plan. The OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. See Note 7 for additional information.

PENSIONS LIABILITY

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and determining pension expense, information about the fiduciary plan net position of Muscatine Water and Electric Employees' Pension Plan and the Iowa Public Employees' Retirement System and additions to and deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. 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. See Notes 8, 10 and 11 for additional information.

LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The landfill liability relates to the GASB Statement No. 18 municipal solid waste landfill closure. Details of the account are included in Note 18.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

PLANT DECOMMISSIONING

Plant decommissioning liability is in accordance with GASB Statement No. 62 Accounting and Financial Reporting Guidance. Details of the account are included in Note 19.

SUBSCRIPTION LIABILITY

Subscription liabilities represent the utility's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the utility.

DEFERRED INFLOWS OF RESOURCES

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time. Pension deferred inflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Notes 8, 10 and 11. OPEB deferred inflows relate to the GASB Statement No. 75 OPEB liability. Details of the account are included in Note 7.

The Board may, at its discretion, set aside earnings to help maintain stability in the electric utility's long-term rate structure. These earnings, placed in the Extraordinary O&M Account, may be used for extraordinary operating expenses and debt service when deemed necessary by the Board. No deferment or use of the Extraordinary O&M Account occurred in 2023 or 2022.

NET POSITION

The net position of the Utility is presented in the following components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted – Consists of restricted assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation, reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the assets results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted – Consists of all other assets that do not meet the definition of "restricted" or "net investment in capital assets."

It is the Utility's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

CHARGES FOR SERVICES

Electric and water billings are rendered and recorded monthly based on metered usage. Communications billings are rendered and recorded monthly based on the type of service provided. Rates were approved by the Board of Trustees as follows:

Current electric rates were approved on March 28, 2023 and effective for service beginning July 1, 2023.

Current water rates were approved on March 28, 2023 and became effective for service beginning July 1, 2023.

Current communications prices were approved on March 28, 2023 and became effective for service beginning May 1, 2023.

OPERATING REVENUES AND EXPENSES

The utility 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 the utility's principal ongoing operations. The principal operating revenues of the utility are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues, capital contributions or nonoperating expenses.

Revenues are recorded as services are rendered to customers. The electric and water utilities' revenues include an estimate of unbilled revenues for services rendered only to certain residential and small commercial customers from the date of the last meter reading to yearend. The communications utility's revenues include amounts billed to customers for cable and Internet services, installations, advertising and other services. Revenues from cable and internet services, installation and other services are recognized when the services are provided to the customers. Advertising sales are recognized in the period that the advertisements are exhibited. The communications utility's revenues include an estimate of unbilled revenues for service rendered only to certain residential and small commercial customers from the date of their previous bill's generation to yearend. The unbilled revenue recorded in 2023 for the electric, water and communications utilities are \$590,288, \$120,161 and \$120,301, respectively. The unbilled revenue recorded in 2022 for the electric, water and communications utilities are \$420,291, \$77,985 and \$87,918, respectively.

CAPITAL CONTRIBUTIONS

Cash and capital assets are contributed to the utility from customers, the municipality or external parties. Contributed capital assets are recorded at acquisition value at the date of donation. The value of property contributed to the utility is reported as an adjustment on the statements of revenues, expenses and changes in net position.

INCOME TAX STATUS

The utility is exempt from federal and state income taxes under the applicable tax codes.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

IMPLEMENTATION OF GASB STATEMENT NO 96

As of January 1, 2023, the utility adopted GASB Statement No 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use a subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 6 and the additional disclosures required by this standard are included in Notes 3 and 5.

NOTE 2 – DEPOSITS AND INVESTMENTS

State of Iowa (State) law and the utility's written investment policy, authorize the utility to invest in certain certificates of deposit, interest bearing savings accounts, money market accounts, obligations of the United States of America or any of its agencies and instrumentalities, prime bankers' acceptances, commercial paper and perfected repurchase agreements. The utility's written investment policy provides additional guidelines as to portfolio mix, maturity and quality of investments.

Deposits and investments consist primarily of investments in the Iowa Public Agency Investment Trust (IPAIT), U.S. Treasury obligations, and certificates of deposit. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Adjustments necessary to record investments at fair value are recorded in the statements of revenues, expenses and changes in net position as increases or decreases in investment income. Investment income is allocated to the electric, water and communications utilities' revenue funds as appropriate.

Deposits in each local and area bank are insured by the FDIC up to the amount of \$250,000 for time and savings accounts and interest-bearing demand and non-interest bearing deposit accounts or insured by the state through pooled collateral, State sinking funds and by the State's ability to assess for lost funds in accordance with Chapter 12C of the Code of Iowa. If deposits are held in an institution outside of the state in which the utility is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The cash balance reported in the financial statements include investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$16,472,684 at December 31, 2023 and \$20,762,790 at December 31, 2022. There are no limitations or restrictions on withdrawals for these IPAIT investments. The utilities' investment in IPAIT is unrated.

The utilities had the following investments:

| <u>Investment</u> | <u>Fair Value as of December 31, 2023</u> | <u>Fair Value as of December 31, 2022</u> |
|--|---|---|
| U.S. Treasury obligations | \$ 20,248,387 | \$ 41,412,128 |
| U.S. Federal Agency Securities | 2,996,362 | - |
| Certificate of Deposits (report at cost) | <u>30,750,000</u> | <u>12,000,000</u> |
| Total Investments | <u>\$ 53,994,749</u> | <u>\$ 53,412,128</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK

Deposits (cash, checking accounts, money markets, non-negotiable certificates of deposits)

Custodial credit risk is the risk that in the event of a financial institution failure, the utility's deposits may not be returned to the utility. The utility's deposits at yearend were covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the State's ability to assess for lost funds in accordance with Chapter 12C of the Code of Iowa.

It is the policy of the utility to maintain all deposits and investments in authorized investment vehicles that are insured or registered in the utility's name or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The utilities had no custodial risk with regards to investments since all investments were held by the utilities or its agent in the utilities' name. There were no investments held at December 31, 2023 or 2022 that were subject to custodial credit risk.

It is the policy of the utility to maintain all deposits and investments in authorized investment vehicles that are insured or registered in the utility's name or are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The utility's U.S. Treasury investments and agency securities are rated AA+ by S&P Global as of December 31, 2023 and 2022. The utility held no investments as of December 31, 2023 or 2022 that were subject to credit risk.

It is the policy of the utility to have securities held by the utility or a third party custodian and rated within the highest or second highest rating category of a nationally recognized rating agency.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2023 and 2022, MPW held 32% and 51%, respectively, of its cash and investments in U.S. Treasuries and agency securities; however, these investments are considered risk-free and therefore not a concentration of risk. The utility held no investments as of December 31, 2023 or 2022 that were subject to concentration of credit risk.

It is the policy of the utility to diversify its investment portfolio. Assets are diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

All of the U.S. Treasury investments held at December 31, 2023 and 2022 mature within one year. The utility held no investments as of December 31, 2023 and 2022 that were subject to interest rate risk if the investments are held to maturity.

The utility's investment policy addresses maturity limitations by requiring operating funds to be invested in instruments that mature within 397 days. Non-operating funds may be invested in instruments with maturities longer than 397 days as long as the maturities are consistent with the needs and use of the utility. One of the investment policy's primary objectives is to maintain the necessary liquidity to match expected cash flow needs and provide for unexpected needs.

FAIR VALUE MEASUREMENTS

The utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the U.S. Treasury investments and agency securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions (level 2 inputs). There have been no changes in valuation methodologies at December 31, 2023 compared to December 31, 2022, although Treasuries are new to the MPW portfolio in 2022.

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

Deposits (cash, checking accounts, money markets, non-negotiable certificates of deposits)

The plan held no deposits as of the measurement dates, December 31, 2023 and December 31, 2022.

CREDIT RISK

Separate pension investment accounts held at The Principal Financial Group (Principal) and IPERS are commingled pools, rather than individual securities. As a result, these accounts are not rated. Accounts held at Principal and by IPERS are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.

CONCENTRATIONS

All amounts are invested in a variety of funds with each of those funds making decisions on specific investments, which approach minimizes specific default risks.

DERIVATIVES

Separate investment accounts held at Principal may use derivatives as part of their investment strategy. These accounts are comingled pools, rather than individual securities.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The pension trust fund held the following investments as of the measurement date of December 31, 2023, subject to interest rate risk.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Years to Maturity</u> |
|--------------------------------------|----------------------|--------------------------|
| Large U.S. equity | \$ 36,995,633 | N/A |
| Small/mid U.S. equity | 6,637,927 | N/A |
| International equity | 18,961,669 | N/A |
| U.S. property SA-14 | 6,499,738 | N/A |
| Fixed income: | | |
| High income separate account-Z | 2,374,951 | 3.21 |
| Bond market index separate account-Z | 6,764,406 | 5.98 |
| Core fixed income separate account-Z | 20,289,367 | 6.08 |
| Total Investments | <u>\$ 98,523,691</u> | |

The pension trust fund held the following investments as of the measurement date December 31, 2022, subject to interest rate risk.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Years to Maturity</u> |
|--------------------------------------|----------------------|--------------------------|
| Large U.S. equity | \$ 33,516,410 | N/A |
| Small/mid U.S. equity | 6,189,288 | N/A |
| International equity | 16,684,774 | N/A |
| U.S. property SA-14 | 6,999,904 | N/A |
| Fixed income: | | |
| High income separate account-Z | 2,193,029 | 4.19 |
| Bond market index separate account-Z | 3,216,585 | 6.32 |
| Core fixed income separate account-Z | 18,375,164 | 6.04 |
| Total Investments | <u>\$ 87,175,154</u> | |

FAIR VALUE MEASUREMENTS

The pension trust fund uses net asset value (NAV) per share, or its equivalent, such as member units, as a practical expedient to estimate the fair values of the commingled pools, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – CAPITAL ASSETS

ELECTRIC UTILITY

A summary of changes in electric capital assets for 2023 follows:

| | Balance as Restated 1/1/2023 | Additions/ Reclassifications | Retirements | Transfers | Balance 12/31/2023 |
|--|------------------------------------|---------------------------------|--------------|-------------|-----------------------|
| Land and land rights ⁽¹⁾ | \$ 1,863,807 | \$ - | \$ - | \$ - | \$ 1,863,807 |
| Generation plant | 329,065,950 | 27,034 | - | 568,180 | 329,661,163 |
| Transmission and distribution plant | 75,968,288 | 1,085,111 | (274,973) | 2,815,032 | 79,593,457 |
| General plant | 26,240,986 | 103,935 | (236,007) | 2,518,875 | 28,627,788 |
| Total Utility Plant in Service | 433,139,032 | 1,216,079 | (510,981) | 5,902,086 | 439,746,216 |
| Construction work in progress ⁽¹⁾ | 3,270,769 | 3,767,560 | - | (5,902,086) | 1,136,242 |
| Total Electric Utility Plant | 436,409,800 | 4,983,639 | (510,981) | - | 440,882,459 |
| Less: Accumulated depreciation | | | | | |
| Generation plant | 308,078,404 | 4,247,499 | - | - | 312,325,904 |
| Transmission and distribution plant | 37,271,731 | 1,770,078 | (274,973) | - | 38,766,836 |
| General plant | 19,420,573 | 857,433 | (236,007) | - | 20,041,999 |
| Total Accumulated Depreciation | 364,770,709 | \$ 6,875,011 | \$ (510,981) | \$ - | 371,134,739 |
| Net Electric Capital Assets | 71,639,091 | | | | 69,747,720 |
| | Balance as Restated 1/1/2023 | Additions/ Reclassifications | Retirements | Transfers | Balance 12/31/2023 |
| Right to use Subscription IT Assets Being Amortized | 139,213 | 547,074 | - | - | 686,287 |
| Less: Accumulated amortization | (32,228) | (128,466) | - | - | (160,693) |
| Net Right to Use Subscription IT Assets | 106,985 | 418,609 | - | - | 525,594 |
| Total Net Electric Capital Assets | \$ 71,746,077 | | | | \$ 70,273,313 |

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – CAPITAL ASSETS (cont.)

ELECTRIC UTILITY (cont.)

A summary of changes in electric capital assets for 2022 follows:

| | Balance 1/1/2022 | Additions/ Reclassifications | Retirements | Transfers | Balance as Restated 12/31/2022 |
|--|----------------------|---------------------------------|------------------------|-------------------|--------------------------------------|
| Land and land rights ⁽¹⁾ | \$ 1,863,807 | \$ - | \$ - | \$ - | \$ 1,863,807 |
| Generation plant | 329,133,093 | | (722,384) | 655,242 | 329,065,951 |
| Transmission and distribution plant | 81,568,319 | 1,265,237 | (22,685,741) | 15,820,473 | 75,968,288 |
| General plant | 28,173,296 | 14,427 | (2,591,177) | 644,440 | 26,240,986 |
| Total Utility Plant in Service | 440,738,515 | 1,279,664 | (25,999,302) | 17,120,155 | 433,139,032 |
| Construction work in progress ⁽¹⁾ | 8,882,873 | 11,508,051 | - | (17,120,155) | 3,270,769 |
| Total Electric Utility Plant | 449,621,388 | 12,787,715 | (25,999,302) | - | 436,409,801 |
| Less: Accumulated depreciation | | | | | |
| Generation plant | 298,695,773 | 10,105,015 | (722,384) | - | 308,078,404 |
| Transmission and distribution plant | 58,797,490 | 1,139,051 | (22,664,809) | - | 37,271,732 |
| General plant | 21,211,904 | 792,342 | (2,583,673) | - | 19,420,573 |
| Total Accumulated Depreciation | 378,705,167 | \$ 12,036,408 | \$ (25,970,866) | \$ - | 364,770,709 |
| Net Electric Capital Assets | 70,916,221 | | | | 71,639,092 |
| | Balance 1/1/2022 | Additions/ Reclassifications | Retirements | Transfers | Balance as Restated 12/31/2022 |
| Right to use Subscription IT Assets Being Amortized | - | 139,213 | - | - | 139,213 |
| Less: Accumulated amortization | - | (32,228) | - | - | (32,228) |
| Net Right to Use Subscription IT Assets | - | 106,985 | - | - | 106,985 |
| Total Net Electric Capital Assets | \$ 70,916,221 | | | | \$ 71,746,077 |

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY

A summary of changes in water capital assets for 2023 follows:

| | Balance as Restated 1/1/2023 | Additions/ Reclassifications | Retirements | Transfers | Balance 12/31/2023 |
|--|------------------------------------|---------------------------------|--------------------|------------------|-----------------------|
| Land and land rights ⁽¹⁾ | \$ 3,781,550 | \$ - | \$ (4,588) | \$ - | \$ 3,776,962 |
| Source of supply | 4,280,824 | - | - | 878 | 4,281,701 |
| Pumping equipment | 3,315,363 | 22,245 | - | 81,821 | 3,419,428 |
| Purification equipment | 2,972,330 | 18,228 | - | 155,107 | 3,145,665 |
| Distribution system | 27,460,155 | 144,242 | (40,445) | 820,899 | 28,384,851 |
| General plant | 1,576,845 | 9,757 | (20,744) | 584,722 | 2,150,580 |
| Total Utility Plant in Service | 43,387,066 | 194,472 | (65,777) | 1,643,425 | 45,159,187 |
| Construction work in progress ⁽¹⁾ | 556,109 | 1,364,741 | - | (1,643,425) | 277,425 |
| Total Water Utility Plant | 43,943,175 | 1,559,213 | (65,777) | - | 45,436,611 |
| Less: Accumulated depreciation | | | | | |
| Source of supply | 2,051,895 | 107,018 | - | - | 2,158,913 |
| Pumping equipment | 1,191,104 | 98,293 | - | - | 1,289,397 |
| Purification system | 1,113,648 | 51,215 | - | - | 1,164,863 |
| Distribution system | 7,584,748 | 648,947 | (40,445) | - | 8,193,250 |
| General plant | 1,199,199 | 86,472 | (20,744) | - | 1,264,927 |
| Total Accumulated Depreciation | 13,140,594 | \$ 991,944 | \$ (61,189) | \$ - | 14,071,349 |
| Net Water Capital Assets | 30,802,581 | | | | 31,365,262 |
| | Balance as Restated 1/1/2023 | Additions/ Reclassifications | Retirements | Transfers | Balance 12/31/2023 |
| Right to use Subscription IT Assets Being Amortized | 12,031 | 241,730 | - | - | 253,761 |
| Less: Accumulated amortization | (2,785) | (40,270) | - | - | (43,055) |
| Net Right to Use Subscription IT Assets | 9,246 | 201,460 | - | - | 210,706 |
| Total Net Water Capital Assets | \$ 30,811,827 | | | | \$ 31,575,968 |

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY (cont.)

A summary of changes in water capital assets for 2022 follows:

| | Balance 1/1/2022 | Additions/ Reclassifications | Retirements | Transfers | Balance as Restated 12/31/2022 |
|--|----------------------|---------------------------------|---------------------|------------------|--------------------------------------|
| Land and land rights ⁽¹⁾ | \$ 3,781,550 | \$ - | \$ - | \$ - | \$ 3,781,550 |
| Source of supply | 4,307,946 | - | (40,638) | 13,515 | 4,280,823 |
| Pumping equipment | 2,894,454 | 16,111 | (14,134) | 418,932 | 3,315,363 |
| Purification equipment | 2,964,899 | 24,329 | (16,898) | - | 2,972,330 |
| Distribution system | 26,417,371 | 181,880 | (203,821) | 1,064,725 | 27,460,155 |
| General plant | 1,684,960 | 10,850 | (119,318) | 353 | 1,576,845 |
| Total Utility Plant in Service | 42,051,180 | 233,170 | (394,809) | 1,497,525 | 43,387,066 |
| Construction work in progress ⁽¹⁾ | 581,859 | 1,471,775 | - | (1,497,525) | 556,109 |
| Total Water Utility Plant | 42,633,039 | 1,704,945 | (394,809) | - | 43,943,175 |
| Less: Accumulated depreciation | | | | | |
| Source of supply | 1,985,545 | 106,988 | (40,638) | - | 2,051,895 |
| Pumping equipment | 1,122,328 | 82,910 | (14,134) | - | 1,191,104 |
| Purification system | 1,074,444 | 55,594 | (16,390) | - | 1,113,648 |
| Distribution system | 7,103,685 | 603,775 | (122,712) | - | 7,584,748 |
| General plant | 1,234,312 | 78,746 | (113,859) | - | 1,199,199 |
| Total Accumulated Depreciation | 12,520,314 | \$ 928,013 | \$ (307,733) | \$ - | 13,140,594 |
| Net Water Capital Assets | 30,112,725 | | | | 30,802,581 |
| | Balance 1/1/2022 | Additions/ Reclassifications | Retirements | Transfers | Balance as Restated 12/31/2022 |
| Right to use Subscription IT Assets Being Amortized | - | 12,031 | - | - | 12,031 |
| Less: Accumulated amortization | - | (2,785) | - | - | (2,785) |
| Net Right to Use Subscription IT Assets | - | 9,246 | - | - | 9,246 |
| Total Net Water Capital Assets | \$ 30,112,725 | | | | \$ 30,811,827 |

(1) – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY

A summary of changes in communications capital assets for 2023 follows:

| | Balance as Restated 1/1/2023 | Additions/ Reclassifications | Retirements | Transfers | Balance 12/31/2023 |
|--|------------------------------------|---------------------------------|--------------------|------------------|-----------------------|
| Fiber Optic TV | \$ 3,415,018 | \$ 65,014 | \$ - | \$ 148,658 | \$ 3,628,690 |
| Data/Internet | 21,679,206 | 195,384 | (1,076) | 880,629 | 22,754,143 |
| MAN | 1,565,355 | - | - | - | 1,565,355 |
| General plant | 2,157,730 | 48,997 | (24,324) | 265,901 | 2,448,304 |
| Total Utility Plant in Service | 28,817,310 | 309,395 | (25,400) | 1,295,187 | 30,396,492 |
| Construction work in progress ⁽¹⁾ | 413,920 | 1,515,900 | - | (1,295,187) | 634,633 |
| Total Communications Utility Plant | 29,231,230 | 1,825,295 | (25,400) | - | 31,031,125 |
| Less: Accumulated depreciation | | | | | |
| Fiber Optic TV | 2,867,823 | 310,524 | - | - | 3,178,347 |
| Data/Internet | 5,853,377 | 1,901,475 | (770) | - | 7,754,081 |
| MAN | 310,353 | 95,489 | - | - | 405,842 |
| General plant | 1,056,922 | 209,921 | (23,716) | - | 1,243,128 |
| Total Accumulated Depreciation | 10,088,475 | \$ 2,517,409 | \$ (24,486) | \$ - | 12,581,397 |
| Net Communications Capital Assets | 19,142,755 | | | | 18,449,728 |
| | Balance as Restated 1/1/2023 | Additions/ Reclassifications | Retirements | Transfers | Balance 12/31/2023 |
| Right to use Subscription IT Assets Being Amortized | 20,623 | 483,461 | - | - | 504,085 |
| Less: Accumulated amortization | (4,774) | (79,394) | - | - | (84,168) |
| Net Right to Use Subscription IT Assets | 15,849 | 404,067 | - | - | 419,917 |
| Total Net Communications Capital Assets | \$ 19,158,604 | | | | \$ 18,869,645 |

(1) – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY (cont.)

A summary of changes in communications capital assets for 2022 follows:

| | Balance 1/1/2022 | Additions/ Reclassifications | Retirements | Transfers | Balance as Restated 12/31/2022 |
|--|---------------------|---------------------------------|-----------------------|----------------|--------------------------------------|
| Fiber Optic TV | \$ 17,169,357 | \$ 74,064 | \$(13,898,815) | \$ 70,412 | \$ 3,415,018 |
| Data/Internet | 24,584,819 | 123,254 | (3,070,367) | 41,501 | 21,679,207 |
| MAN | 4,971,611 | 29,481 | (3,897,724) | 461,987 | 1,565,355 |
| General plant | 2,607,106 | 18,124 | (724,808) | 257,308 | 2,157,730 |
| Total Utility Plant in Service | 49,332,893 | 244,923 | (21,591,714) | 831,208 | 28,817,310 |
| Construction work in progress ⁽¹⁾ | 574,362 | 670,768 | - | (831,210) | 413,920 |
| Total Communications Utility Plant | 49,907,255 | 915,691 | (21,591,714) | - | 29,231,230 |
| Less: Accumulated depreciation | | | | | |
| Fiber Optic TV | 16,188,457 | 397,433 | (13,718,068) | - | 2,867,822 |
| Data/Internet | 6,995,355 | 1,888,200 | (3,030,178) | - | 5,853,377 |
| MAN | 4,154,370 | 35,203 | (3,879,220) | - | 310,353 |
| General plant | 1,472,025 | 202,457 | (617,559) | - | 1,056,923 |
| Total Accumulated Depreciation | 28,810,207 | \$ 2,523,293 | \$(21,245,025) | \$ - | 10,088,475 |
| Net Communications Capital Assets | 21,097,048 | | | | 19,142,755 |
| | | | | | |
| | Balance 1/1/2022 | Additions/ Reclassifications | Retirements | Transfers | Balance as Restated 12/31/2022 |
| Right to use Subscription IT Assets Being Amortized | - | 20,624 | - | - | 20,624 |
| Less: Accumulated amortization | - | (4,775) | - | - | (4,775) |
| Net Right to Use Subscription IT Assets | - | 15,849 | - | - | 15,849 |
| Total Net Communications Capital Assets | \$21,097,048 | | | | \$19,158,604 |

(1) – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 4 – RESTRICTED ASSETS

Restricted assets represent amounts set aside under the terms of the water bond agreement. In accordance with the covenants of the bond resolutions, the amounts have been segregated into funds. In accordance with the bond and loan agreement, the bond fund is used solely for the purpose of paying the interest on and principal of the outstanding debt. The composition of the restricted assets at December 31 of 2023 and 2022 is as follows:

| | Water Utility | |
|-------------------------|---------------|------------|
| | 2023 | 2022 |
| Bond Fund | \$ 946,700 | \$ 947,950 |
| Total Restricted Assets | \$ 946,700 | \$ 947,950 |

NOTE 5 – NON-CURRENT LIABILITIES

NON-CURRENT LIABILITIES SUMMARY – ELECTRIC

Non-current liabilities activity for the year ended December 31, 2023:

| | Balance as Restated 1/1/2023 | Additions/ Reduction | Payments/ Amortization/ Reclassifications | Balance 12/31/2023 | Due Within One Year |
|---|------------------------------------|-------------------------|---|-----------------------|------------------------|
| Total OPEB liability | \$ 847,241 | \$ 68,561 | \$ (92,057) | \$ 823,745 | - |
| Health and dental care provision | 125,634 | 3,240,876 | (3,096,073) | 270,437 | - |
| Net pension liability | 53,311 | 3,639,047 | 15,327,391 | 19,019,749 | - |
| Subscription based IT arrangements | 91,912 | 547,074 | (120,949) | 518,037 | 169,905 |
| Plant decommissioning | - | 12,012,000 | - | 12,012,000 | - |
| Landfill closure and post-closure liability | 1,184,967 | 35,368 | - | 1,220,335 | - |
| Non-current Liabilities | \$ 2,303,065 | \$ 19,542,926 | \$ 12,018,312 | \$ 33,864,303 | \$ 169,905 |

Non-current liabilities activity for the year ended December 31, 2022:

| | Restated Balance 1/1/2022 | Additions/ Reduction | Payments/ Amortization/ Reclassifications | Restated Balance 12/31/2022 | Due Within One Year |
|---|---------------------------------|-------------------------|---|-----------------------------------|------------------------|
| Total OPEB liability | \$ 835,753 | \$ 66,901 | \$ (55,413) | \$ 847,241 | - |
| Health and dental care provision | 1,895,075 | 1,298,482 | (3,067,923) | 125,634 | - |
| Net pension liability | 5,922,231 | 2,802,120 | (8,671,040) | 53,311 | - |
| Subscription based IT arrangements | - | 141,665 | (49,753) | 91,912 | 47,575 |
| Landfill closure and post-closure liability | 1,103,410 | 81,557 | - | 1,184,967 | - |
| Non-current Liabilities | \$ 9,756,469 | \$ 4,390,725 | \$ (11,844,129) | \$ 2,303,065 | \$ 47,575 |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER

In May 2017, the Board approved the issuance and securing the payment of future obligations for the purposes of borrowing money for constructing water improvements and extensions. The water utility issued \$14,865,000 Water Revenue Bonds, Series 2017 in June 2017 for that purpose. The premium bonds are S&P “A” rated (with insurance increasing the rating to S&P “AA”), a non-bank qualified issue, callable June 1, 2027 at par. The effective interest cost is approximately 3.51%. The interest payments that are due each June 1 and December 1 began December 1, 2017. Principal payments are due annually December 1 and began in 2018. Total outstanding bonds payable at December 31, 2023 and December 31, 2022 were \$12,485,000 and \$12,910,000, respectively.

Events of default are defined as either: (1) the non-payment of interest, principal, or premium when the same shall become due and payable, (2) through a bankruptcy proceeding there is an admission of the inability to pay this debt, or (3) any event of default under any parity obligation or parity obligation issuance document. In the event of default, the principal of and the accrued interest on all bonds then outstanding will be due and payable immediately.

In November 2022, the Board approved for the water utility to enter into a 7-year loan with the electric utility in the amount of \$2,000,000 at a 4.5% interest rate. The loan was issued January 1, 2023. Semi-annual payments of principal and interest are due each June 30 and December 31.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-current liabilities activity for the year ending December 31, 2023:

| | Balance as Restated 1/1/2023 | Additions/ Reduction | Payments/ Amortization/ Reclassifications | Balance 12/31/2023 | Due Within One Year |
|--|------------------------------------|-------------------------|---|-----------------------|------------------------|
| Note payable to electric utility | \$ - | \$ 2,000,000 | \$ (249,020) | \$ 1,750,980 | \$ 260,351 |
| Bonds payable | 12,910,000 | - | (425,000) | 12,485,000 | 445,000 |
| Unamortized bond premium | 470,200 | - | (82,055) | 388,145 | - |
| Total Long-Term Debt | 13,380,200 | 2,000,000 | (756,075) | 14,624,125 | 705,351 |
| Less: Current installments | (425,000) | (705,351) | 425,000 | (705,351) | - |
| Long-Term Debt, Net of Current Portion | 12,955,200 | 1,294,649 | (331,075) | 13,918,774 | 705,351 |
| Total OPEB liability | 123,697 | 9,012 | (12,100) | 120,609 | - |
| Health & dental care provision | 6,118 | 399,214 | (404,744) | 588 | - |
| Net pension liability | 322,785 | 307,919 | 1,189,743 | 1,820,447 | - |
| Subscription based IT arrangements | 7,943 | 241,731 | (37,539) | 212,135 | 58,022 |
| Non-current Liabilities | <u>\$ 13,415,743</u> | <u>\$ 2,252,525</u> | <u>\$ 404,285</u> | <u>\$ 16,072,553</u> | <u>\$ 763,373</u> |

Non-current liabilities activity for the year ending December 31, 2022:

| | Restated Balance 1/1/2022 | Additions/ Reduction | Payments/ Amortization/ Reclassifications | Restated Balance 12/31/2022 | Due Within One Year |
|--|---------------------------------|-------------------------|---|-----------------------------------|------------------------|
| Long-term debt | \$ 13,320,000 | \$ - | \$ (410,000) | \$ 12,910,000 | \$ 425,000 |
| Less: Current installments | (410,000) | (425,000) | 410,000 | (425,000) | - |
| Unamortized bond premium | 557,752 | - | (87,552) | 470,200 | - |
| Long-Term Debt, Net of Current Portion | 13,467,752 | (425,000) | (87,552) | 12,955,200 | 425,000 |
| Total OPEB liability | 122,187 | 8,793 | (7,283) | 123,697 | - |
| Health & dental care provision | 51,612 | 355,147 | (400,641) | 6,118 | - |
| Net pension liability | 501,968 | 183,469 | (362,652) | 322,785 | - |
| Subscription based IT arrangements | - | 12,243 | (4,300) | 7,943 | 4,111 |
| Customer advances for construction | 217,232 | (214,550) | (2,682) | - | - |
| Non-current Liabilities | <u>\$ 14,360,751</u> | <u>\$ (79,898)</u> | <u>\$ (865,110)</u> | <u>\$ 13,415,743</u> | <u>\$ 429,111</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-Current Liabilities Maturity Schedule – Water

| Year Ending <u>December 31</u> | Water Revenue Bonds, Series 2017 | | |
|-----------------------------------|----------------------------------|--------------------------|----------------------|
| | Direct Placement | | |
| | Principal <u>Amount</u> | Interest <u>2%-5%</u> | <u>Total</u> |
| 2024 | \$ 445,000 | \$ 501,700 | \$ 946,700 |
| 2025 | 470,000 | 479,450 | 949,450 |
| 2026 | 490,000 | 455,950 | 945,950 |
| 2027 | 515,000 | 431,450 | 946,450 |
| 2028 | 535,000 | 410,850 | 945,850 |
| 2029 - 2033 | 2,990,000 | 1,745,150 | 4,735,150 |
| 2034 - 2038 | 3,605,000 | 1,131,200 | 4,736,200 |
| 2039 - 2042 | 3,435,000 | 350,200 | 3,785,200 |
| Totals | <u>\$ 12,485,000</u> | <u>\$ 5,505,950</u> | <u>\$ 17,990,950</u> |

Water loan debt service requirements to maturity for the electric utility loan as of December 31, 2023 are as follows:

| Year Ending <u>December 31</u> | Electric Utility Loan | | |
|-----------------------------------|----------------------------|--------------------------|---------------------|
| | Principal <u>Amount</u> | Interest <u>4.50%</u> | <u>Total</u> |
| 2024 | \$ 260,351 | \$ 75,898 | \$ 336,249 |
| 2025 | 272,199 | 64,050 | 336,249 |
| 2026 | 284,586 | 51,663 | 336,249 |
| 2027 | 297,536 | 38,713 | 336,249 |
| 2028 | 311,076 | 25,173 | 336,249 |
| 2029 | <u>325,232</u> | <u>11,017</u> | <u>336,249</u> |
| Totals | <u>\$ 1,750,981</u> | <u>\$266,515</u> | <u>\$ 2,017,495</u> |

All water utility revenues, net of specified operating expenses, are pledged as security of the water debt until fully paid. Principal and interest paid in 2023 and 2022, and water utility net revenues are as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------|-------------|
| Principal and interest paid | \$ 947,250 | \$ 945,250 |
| Net revenues | 2,292,833 | 2,445,421 |

Annual future principal and interest payments are expected to require 41% of water utility net revenues.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS

Prior to 2004, the electric utility advanced \$35,327,000 to the communications utility for capital improvements and acquisition of a cable television system. On November 25, 2014, the Board approved an amendment to this loan agreement that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50% and modifying the amortization of the note from a 30-year period to a 20-year period. These new terms became effective January 1, 2015. Annual principal payments began January 1, 2016; semi-annual payments of interest are due each January 1 and July 1.

On September 8, 2020, the Communications Revenue Bond, Series 2020 was signed with a local bank providing \$3,700,000 for telecommunications systems improvements and extensions to the communications utility. Principal bears interest at the rate of 2.73% per annum. Both principal and interest are payable in 28 equal quarterly installments of \$145,860 each, due on March 30, June 30, September 30 and December 30, which began December 30, 2020; final payment is due September 30, 2027. Upon breach or default of the bond or parity obligations and the related Board bond resolution, a proceeding may be brought in law or in equity by suit, action, or mandamus to enforce and compel compliance with the bond's terms, or action may be brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa. This bond was issued as a first step of a refinancing of the Series 2017 Bond.

On January 5, 2021, the communications utility closed on the \$6,300,000 Communications Revenue Bond, Series 2021, issued at a rate of 2.73% per annum. Both principal of and interest on this bond are payable in 27 equal quarterly installments in the amount of \$256,611 each, due on December 30, March 30, June 30 and September 30 in each of the years 2021 to 2027, inclusive, commencing March 30, 2021. The final payment is September 30, 2027. Upon breach or default of the bond or parity obligations and the related Board bond resolution, a proceeding may be brought in law or in equity by suit, action, or mandamus to enforce and compel compliance with the bond's terms, or action may be brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa. The Communications Revenue Bond, Series 2017, was paid off with proceeds from this bond issue.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS (cont.)

Non-current liabilities activity for the year ending December 31, 2023:

| | Balance as Restated 1/1/2023 | Additions/ Reduction | Payments/ Amortization/ Reclassifications | Balance 12/31/2023 | Due Within One Year |
|---|------------------------------------|-------------------------|---|-----------------------|------------------------|
| Note payable to banks | \$ 7,138,101 | \$ - | \$ (1,429,565) | \$ 5,708,536 | \$ 1,468,994 |
| Note payable to electric utility | 5,119,279 | - | (1,501,068) | 3,618,211 | - |
| Total Long-Term Debt | 12,257,380 | - | (2,930,633) | 9,326,747 | 1,468,994 |
| Less: Current installments | (1,429,565) | 1,429,565 | (1,468,994) | (1,468,994) | - |
| Long-Term Debt, Net of Current Portion | 10,827,815 | 1,429,565 | (4,399,627) | 7,857,753 | 1,468,994 |
| Unearned revenue | 124,480 | - | (17,500) | 106,980 | - |
| Total OPEB liability | 179,647 | 14,002 | (18,801) | 174,848 | - |
| Health & dental care provision | 9,994 | 619,441 | (628,865) | 570 | - |
| Net pension liability | 53,487 | 662,247 | 2,712,502 | 3,428,236 | - |
| Subscription Based IT | 13,617 | 483,461 | (73,972) | 423,106 | 114,860 |
| Non-current Liabilities | <u>\$ 11,209,040</u> | <u>\$ 3,208,716</u> | <u>\$ (2,426,263)</u> | <u>\$ 11,991,493</u> | <u>\$ 1,583,854</u> |

Non-current liabilities activity for the year ending December 31, 2022:

| | Restated Balance 1/1/2022 | Additions/ Reduction | Payments/ Amortization/ Reclassifications | Restated Balance 12/31/2022 | Due Within One Year |
|---|---------------------------------|-------------------------|---|-----------------------------------|------------------------|
| Note payable to banks | \$ 8,539,969 | \$ - | \$ (1,401,868) | \$ 7,138,101 | \$ 1,429,565 |
| Note payable to electric utility | 6,612,879 | - | (1,493,600) | 5,119,279 | - |
| Total Long-Term Debt | 15,152,848 | - | (2,895,468) | 12,257,380 | 1,429,565 |
| Less: Current installments | (1,390,901) | 1,390,901 | (1,429,565) | (1,429,565) | - |
| Long-Term Debt, Net of Current Portion | 13,761,947 | 1,390,901 | (4,325,033) | 10,827,815 | 1,429,565 |
| Unearned revenue | 141,980 | - | (17,500) | 124,480 | - |
| Total OPEB liability | 177,300 | 13,663 | (11,316) | 179,647 | - |
| Health & dental care provision | 84,771 | 547,987 | (622,764) | 9,994 | - |
| Net pension liability | 1,087,762 | 475,493 | (1,509,768) | 53,487 | - |
| Subscription Based IT | - | 20,988 | (7,371) | 13,617 | 7,048 |
| Non-current Liabilities | <u>\$ 15,253,760</u> | <u>\$ 2,449,032</u> | <u>\$ (6,493,752)</u> | <u>\$ 11,209,040</u> | <u>\$ 1,436,613</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES MATURITY SCHEDULE – COMMUNICATIONS

Communications loan debt service requirements to maturity as of December 31, 2023 are as follows:

| Year Ending December 31 | Electric Utility Loan | | | 2020 Bank Loan - Direct Placement | | | 2021 Bank Loan - Direct Placement | | |
|----------------------------|-----------------------|-------------------|---------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|-------------------|---------------------|
| | Principal Amount | Interest 0.50% | Total | Principal Amount | Interest 2.73% | Total | Principal Amount | Interest 2.73% | Total |
| 2024 | \$ - | \$ 9,046 | \$ 9,046 | \$ 532,266 | \$ 51,172 | \$ 583,438 | \$ 936,727 | \$ 89,717 | \$ 1,026,444 |
| 2025 | 508,573 | 15,548 | 524,121 | 546,947 | 36,492 | 583,439 | 962,563 | 63,881 | 1,026,444 |
| 2026 | 511,116 | 12,993 | 524,109 | 562,032 | 21,407 | 583,439 | 989,111 | 37,333 | 1,026,444 |
| 2027 | 513,672 | 10,424 | 524,096 | <u>431,674</u> | <u>5,905</u> | <u>437,579</u> | <u>747,216</u> | <u>10,138</u> | <u>757,354</u> |
| 2028 | 516,240 | 7,843 | 524,083 | | | | | | |
| 2029 | 518,821 | 5,249 | 524,070 | | | | | | |
| 2030 | 521,416 | 2,642 | 524,058 | | | | | | |
| 2031 | <u>528,371</u> | <u>1,321</u> | <u>529,692</u> | | | | | | |
| Totals | <u>\$ 3,618,211</u> | <u>\$65,066</u> | <u>\$ 3,683,277</u> | <u>\$ 2,072,919</u> | <u>\$ 114,976</u> | <u>\$ 2,187,895</u> | <u>\$ 3,635,617</u> | <u>\$ 201,069</u> | <u>\$ 3,836,686</u> |

The communications utility made voluntary early principal payments for the electric utility loan of \$1.0 million in 2023 and \$1.0 million in 2022.

All communications utility revenues, net of specified operating expenses, are pledged as security of the communications debt until fully paid. Principal and interest paid in 2023 and 2022, excluding that paid to the electric utility, and communications utility net revenues are as follows:

| | 2023 | 2022 |
|-----------------------------|--------------|--------------|
| Principal and interest paid | \$ 1,609,883 | \$ 1,609,883 |
| Net revenues | 4,511,544 | 4,992,694 |

Annual future principal and interest payments are expected to require 33% of communications utility net revenues.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

In the prior year, the utility entered into a SBITA contract for the use of Imprivata Proximity USB readers and mobile device access. As of December 31, 2023, the value of the subscription liability was \$20,823. The utility is required to make annual principal and interest payments of \$21,760 through March 2025. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the prior year, the utility entered into a SBITA contract for the use of Journyx payroll software. As of December 31, 2023, the value of the subscription liability was \$23,598. The utility is required to make annual principal and interest payments of \$24,660 through April 2025. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the prior year, the utility entered into a SBITA contract for the use of Sphera Cloud CM Pro software. As of December 31, 2023, the value of the subscription liability was \$12,256. The utility is required to make annual principal and interest payments of \$12,807 through June 2025. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the current year, the utility entered into a SBITA contract for the use of NISC customer service software. As of December 31, 2023, the value of the subscription liability was \$1,095,048. The utility is required to make monthly principal and interest payment of \$23,630 through March 2028. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

A summary of the changes in subscription IT liabilities during the year ended December 31, 2023 is as follows:

| | Restated Balance December 31, 2022 | Additions | Payments | Balance December 31, 2023 | Due Within One Year |
|-----------------------------|--|-------------|-------------|------------------------------|------------------------|
| Subscription IT Liabilities | \$113,472 | \$1,272,266 | (\$232,460) | \$1,153,278 | \$342,787 |

Remaining principal and interest payments on subscriptions are as follows:

| ELECTRIC UTILITY | | | WATER UTILITY | | | COMMUNICATIONS UTILITY | | | TOTALS | | |
|------------------------------|------------------|-----------------|------------------------------|------------------|-----------------|------------------------------|------------------|-----------------|------------------------------|--------------------|------------------|
| Years Ending December 31, | Principal | Interest | Years Ending December 31, | Principal | Interest | Years Ending December 31, | Principal | Interest | Years Ending December 31, | Principal | Interest |
| 2024 | \$169,905 | \$21,150 | 2024 | \$58,022 | \$8,611 | 2024 | \$114,859 | \$17,171 | 2024 | \$342,787 | \$46,931 |
| 2025 | 107,572 | 14,360 | 2025 | 47,532 | 6,345 | 2025 | 95,063 | 12,690 | 2025 | 250,167 | 33,396 |
| 2026 | 112,514 | 9,419 | 2026 | 49,715 | 4,162 | 2026 | 99,431 | 8,324 | 2026 | 261,660 | 21,904 |
| 2027 | 117,682 | 4,250 | 2027 | 51,999 | 1,878 | 2027 | 103,998 | 3,756 | 2027 | 273,680 | 9,883 |
| 2028 | 10,364 | 227 | 2028 | 4,866 | 100 | 2028 | 9,755 | 201 | 2028 | 24,984 | 528 |
| | <u>\$518,037</u> | <u>\$49,405</u> | | <u>\$212,135</u> | <u>\$21,096</u> | | <u>\$423,106</u> | <u>\$42,141</u> | | <u>\$1,153,278</u> | <u>\$112,642</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – NET POSITION

GASB No. 34 requires the classification of net position into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows,

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any external bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at yearend, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, including restrictions by the utility's Board of Trustees.

Unrestricted - This component of net position does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use for the same purpose, it is the utility's policy to use unrestricted resources first (except for principal and interest on debt), then restricted resources as they are needed.

The following calculation supports the electric utility's net investment in capital assets:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Plant in Service | \$ 439,746,216 | \$ 433,139,032 |
| Construction Work in Progress | 1,136,242 | 3,270,769 |
| Subscription Based IT Assets | 686,287 | 139,213 |
| Accumulated Depreciation | <u>(371,295,432)</u> | <u>(364,802,937)</u> |
| Subtotals | <u>70,273,313</u> | <u>71,746,077</u> |
| Less: Subscription Based IT Arrangements | <u>518,037</u> | <u>91,912</u> |
| Net Investment in Capital Assets | <u>\$ 69,755,276</u> | <u>\$ 71,654,165</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – NET POSITION (cont.)

The following calculation supports the water utility's net investment in capital assets:

| | 2023 | 2022 |
|--|---------------|---------------|
| Plant in Service | \$ 45,159,187 | \$ 43,387,066 |
| Subscription Based IT Assets | 253,761 | 12,031 |
| Construction Work in Progress | 277,425 | 556,109 |
| Accumulated Depreciation | (14,114,405) | (13,143,379) |
| Subtotals | 31,575,968 | 30,811,827 |
| Less: Capital-Related Debt | | |
| Current portion of capital-related, long-term debt | 445,000 | 425,000 |
| Long-term portion of capital-related, long-term debt | 12,040,000 | 12,485,000 |
| Subscription Based IT Arrangements | 212,135 | 7,943 |
| Unamortized bond premium | 388,145 | 470,200 |
| Subtotals | 13,085,280 | 13,388,143 |
| Net Investment in Capital Assets | \$ 18,490,688 | \$ 17,423,684 |

The following calculation supports the communications utility's net investment in capital assets:

| | 2023 | 2022 |
|--|---------------|---------------|
| Plant in Service | \$ 30,396,492 | \$ 28,817,310 |
| Subscription Based IT Assets | 504,085 | 20,624 |
| Construction Work in Progress | 634,633 | 413,920 |
| Accumulated Depreciation | (12,665,566) | (10,093,249) |
| Subtotals | 18,869,645 | 19,158,604 |
| Less: Capital-Related Debt | | |
| Current portion of capital-related, long-term debt | 1,468,994 | 1,429,565 |
| Long-term portion of capital-related, long-term debt | 4,239,542 | 5,708,536 |
| Subscription Based IT Arrangements | 423,106 | 13,617 |
| Subtotals | 6,131,642 | 7,151,717 |
| Net Investment in Capital Assets | \$ 12,738,003 | \$ 12,006,887 |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – NET POSITION (cont.)

As of January 1, 2023, the utility adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). There were no SBITA's present at January 1, 2022. Therefore, the adoption had no impact on the December 31, 2021 net positions. The following changes were added to the previously reported 2022 amounts. There were no significant restatements to the statement of revenues, expenses, and changes in net position.

| | <u>Electric</u> | <u>Water</u> | <u>Communications</u> | <u>Total</u> |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| Net position December 31, 2022, as previously reported | \$ 127,132,502 | \$ 20,987,616 | \$ 16,261,951 | \$ 164,382,068 |
| Add right-to-use asset under GASB No. 96 at December 31, 2022 | 106,985 | 9,246 | 15,850 | 132,081 |
| Reclassify prepayment to right-to-use asset at December 31, 2022 | (15,074) | (1,303) | (2,233) | (18,609) |
| Add SBITA liability under GASB No. 96 at December 31, 2022 | (91,912) | (7,943) | (13,617) | (113,471) |
| Net Position January 1, 2023, as restated | <u>\$ 127,132,502</u> | <u>\$ 20,987,616</u> | <u>\$ 16,261,951</u> | <u>\$ 164,382,068</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

The utility-administered, single-employer group health insurance defined benefit plan provides coverage to active employees and retirees (or other qualified terminated employees age 55 with 5 years of service) at blended premium rates. This coverage results in the other post-employment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy. Spouses are covered until age 65.

Retirees participating in the plan contribute 100% of the blended contribution. The utility, by contributing its portion of the blended premium for active employees, in effect contributes the difference between the blended contribution and a retiree age adjusted contribution. For a small group of grandfathered retirees, the utility pays a \$50 healthcare supplement.

As of the measurement date, the following plan members (including Muscatine Area Geographic Information Consortium, "MAGIC" employees – see Note 17) were covered by the benefit terms:

| | Measurement date | 12/31/2022 | 12/31/2021 |
|--|------------------|-------------------|-------------------|
| | Fiscal year end | <u>12/31/2023</u> | <u>12/31/2022</u> |
| Active plan members | | 255 | 263 |
| Inactive plan members entitled to but not yet receiving benefits | | 0 | 0 |
| Retired plan members or beneficiaries currently receiving benefits | | <u>23</u> | <u>25</u> |
| TOTAL | | <u>278</u> | <u>288</u> |

For fiscal years 2023, 2022 and 2021, the utility contributed \$72,238, \$74,549 and \$62,135, respectively, to the plan for retiree benefit payments.

The following schedule of changes in the total OPEB liability is based on the actuarial valuation report as of December 31, 2023.

| | 2023 | 2022 |
|--|-------------|-------------|
| Service cost | \$55,803 | \$54,130 |
| Interest on net OPEB obligation | 36,435 | 35,874 |
| Adjustment to annual required contribution | - | - |
| Differences between expected and actual experience | (10,379) | - |
| Changes in assumptions | (41,231) | - |
| Benefit payments | (72,238) | (74,549) |
| Net change in total OPEB obligation | (31,610) | 15,455 |
| Total OPEB Obligation - Beginning of Year | \$1,159,290 | 1,143,835 |
| Total OPEB Obligation - End of Year | \$1,127,680 | \$1,159,290 |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEBS

For the years ended December 31, 2023 and December 31, 2022, the utility recognized net change in total OPEB liability of -\$31,610 and \$15,455, respectively. On December 31, 2023, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes in assumptions | \$157,883 | \$83,949 |
| Difference between actual and expected experience | 35,342 | 23,778 |
| Contributions subsequent to measurement date | 72,238 | - |
| | <u>\$265,463</u> | <u>\$107,727</u> |

On December 31, 2022, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes in assumptions | \$185,631 | \$69,680 |
| Difference between actual and expected experience | 49,760 | 17,158 |
| Contributions subsequent to measurement date | 62,135 | - |
| | <u>\$297,526</u> | <u>\$86,838</u> |

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

| Fiscal Year ending 12/31 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------|---|--|
| 2024 | \$42,166 | \$30,721 |
| 2025 | 38,846 | 24,070 |
| 2026 | 34,257 | 14,891 |
| 2027 | 31,065 | 11,761 |
| 2028 | 27,748 | 8,497 |
| Thereafter | 19,142 | 17,787 |
| Totals | <u>\$193,224</u> | <u>\$107,727</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

The following deferred outflows and deferred inflows are recognized in OPEB expense:

- 1) Differences between expected and actual experience, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated employees and retirees).
- 2) Changes in assumptions, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated and retirees).

| <i>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</i> | | | |
|---|--------------------------|----------------------------|--------------------------|
| | 1% Decrease 3.38% | Discount Rate 4.38% | 1% Increase 5.38% |
| Total OPEB Liability 12/31/23 | \$1,231,359 | \$1,127,680 | \$1,035,545 |
| <i>Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rate</i> | 1% decrease | Trend Rate | 1% Increase |
| Total OPEB Liability 12/31/23 | \$1,018,617 | \$1,127,680 | \$1,255,652 |
| Total OPEB Liability 12/31/22 | \$1,047,170 | \$1,159,290 | \$1,290,849 |

There are no plan assets under this plan.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the entry age actuarial cost method was used. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

ACTUARIAL ASSUMPTIONS

The total OPEB liability in the report for plan fiscal ending December 31, 2022 and 2023 (measurement period of January 1, 2022 to December 31, 2022) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Discount rate | 4.38% Barclays Municipal GO Long Term (17+Y) index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date. |
| Mortality rate | Based on Pri-2012 Total dataset base rate mortality table projected generationally using the Principal 2022 scale. |
| Retirement rates | Ages 62-64 - 25%; Age 65 – 100%. |
| Marriage | 75% married; male is 3 years older than female. |
| Withdrawal | 2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.60. |
| Healthcare cost increases | 2023 – 1.36%; 2024 – 7.5%; 2025 – 7.0%; 2026 6.50%; 2027 6.00%; decreasing by 0.25% per year through 2032; 2033+ 4.50%/year. |
| Participation rate | 75% of future retirees. |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

Single-Employer Defined Benefit OPEB Plan Aggregate Tables

Aggregate Total OPEB Liability Schedule

| | <u>2023</u> | <u>2022</u> |
|----------------|--------------------|--------------------|
| Electric | \$823,745 | \$847,241 |
| Water | 120,609 | 123,697 |
| Communications | 174,848 | 179,646 |
| MAGIC | 8,479 | 8,706 |
| | <u>\$1,127,680</u> | <u>\$1,159,290</u> |

Aggregate Deferred Outflows of Resources Schedule

| | <u>2023</u> | <u>2022</u> |
|----------------|------------------|------------------|
| Electric | \$194,422 | \$218,255 |
| Water | 27,547 | 30,679 |
| Communications | 41,521 | 46,388 |
| MAGIC | 1,973 | 2,204 |
| | <u>\$265,463</u> | <u>\$297,526</u> |

Aggregate Deferred Inflows of Resources Schedule

| | <u>2023</u> | <u>2022</u> |
|----------------|------------------|-----------------|
| Electric | \$78,108 | \$62,581 |
| Water | 12,055 | 10,014 |
| Communications | 16,740 | 13,569 |
| MAGIC | 824 | 674 |
| | <u>\$107,727</u> | <u>\$86,838</u> |

Aggregate OPEB Expense Schedule

| | <u>2023</u> | <u>2022</u> |
|----------------|-----------------|-----------------|
| Electric | \$15,864 | \$24,405 |
| Water | 2,085 | 3,208 |
| Communications | 3,240 | 4,984 |
| MAGIC | 153 | 236 |
| | <u>\$21,342</u> | <u>\$32,833</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, the information about the fiduciary net position of the Plan and additions to and deductions from Muscatine Water and Electric Employees' Pension Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments in separate accounts held at The Principal Financial Group (the plan administrator) are commingled pools, rather than individual securities; they are valued as of the December 31, 2022 measurement date at fair market value.

GENERAL INFORMATION ABOUT THE PENSION PLAN

The utilities provide and administer a single-employer defined benefit pension plan with benefits to eligible vested full-time utility and part-time utility employees at separation of service. Eligible employees are those who are not participants in the Iowa Public Employees' Retirement System (IPERS). Water utility employees or new employees that were participants of IPERS can choose to participate in either IPERS or the Plan. Total covered valuation payroll for the years ended December 31, 2023 and December 31, 2022 were \$22,684,111 and \$21,797,004, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is approved and amended by the utility's pension committee with oversight by the Board of Trustees, whose members are nominated by a committee consisting of the mayor, two city council members and the city administrator, then ratified by the city council. There are no non-employer contributing entities, as defined by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for the Plan. The Plan currently does not issue a stand-alone financial report.

As of the measurement date, the following plan members (including MAGIC employees – see Note 17) were covered by the benefit terms:

| | Fiscal year end: | <u>12/31/2023</u> | <u>12/31/2022</u> |
|--|-------------------------|--------------------------|--------------------------|
| Active plan members | | 255 | 251 |
| Inactive plan members entitled to but not yet receiving benefits | | 99 | 93 |
| Disabled plan members entitled to benefits | | 0 | 0 |
| Retired plan members or beneficiaries currently receiving benefits | | <u>242</u> | <u>233</u> |
| TOTAL | | <u>596</u> | <u>577</u> |

The pension plan provides for retirement, disability and death benefits. There have been no changes in plan provisions during the measurement period and between the December 31, 2022 measurement date and the end of the December 31, 2023 reporting period.

The starting basis for determining contributions is an actuarially determined contribution (ADC) that is calculated in the plan's Actuarial Valuation Report dated December 31, 2023. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The ADC for the measurement period ending December 31, 2023 was \$3,192,565, equal to 14.1% of covered valuation payroll; the ADC for the measurement period ending December 31, 2022 was \$3,624,948, equal to 16.6% of covered valuation payroll. Employer contributions for the years ending December 31, 2023 and December 31, 2022 equaled \$4,005,000 and \$3,840,000, respectively, which was in excess of the ADC.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

ACTUARIAL ASSUMPTIONS

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected service.

A measurement period of December 31, 2021 to December 31, 2022 has been used for the fiscal year ending December 31, 2023 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2023 was measured as of December 31, 2022, using the pension liability that was determined by an actuarial valuation as of December 31, 2022. The plan administrator does a comprehensive review of the economic and demographic assumptions. The following were used for the years ending December 31, 2023 and December 31, 2022:

| | <u>Rate</u> |
|------------------------------|---|
| Inflation | 2.40% |
| Investment rate of return | 6.00% |
| Salary increases (age-based) | Age 25-6.18%; Age 40-4.72%; Age 55-3.88% |
| Retirement rate | 25% at Age 62; 25% at Age 63; 25% at Age 64; 25% at Age 65 |
| Wage base | 3.50% |
| Marriage rate | 75% |

Active and inactive participants are assumed to retire at normal retirement age, or current age if later. This assumption is based on the results of recent experience analysis and anticipated future experience.

Mortality rates are based on Pri-2012 total dataset mortality table projected generationally using the Principal Mortality Improvement Scale (Principal 2022).

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2022. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2022 is 20 years.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | Long-Term Expected |
|-------------------------------|--------------------------|----------------------------|
| | | <u>Real Rate of Return</u> |
| US Equity - Large Cap | 38.39% | 7.70% |
| US Equity - Mid Cap | 4.55% | 8.00% |
| US Equity - Small Cap | 2.24% | 8.55% |
| Non-US Equity | 18.22% | 8.00% |
| Real Estate (direct property) | 8.11% | 5.35% |
| Core Bond | 26.03% | 4.20% |
| High Yield | <u>2.46%</u> | 6.10% |
| Total | <u>100.00%</u> | |

The discount rate used to determine the end of period total pension liability is 5.46%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2022 to 2120. Benefit payments after 2120 are projected to be \$0. The long-term rate of return of 6.00% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.38% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the December 31, 2022 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described. The discount rate used to determine the beginning-of-period total pension liability is 5.75%.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the years ended December 31, 2023 and December 31, 2022, the utility recognized pension expense (income) of \$5,394,828 and \$(567,152), respectively. At December 31, 2023, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes of assumptions | \$4,452,522 | \$180,682 |
| Difference between actual and expected experience | 260,806 | 245,737 |
| Difference between projected and actual earnings | 9,574,640 | - |
| Contributions subsequent to measurement date | 4,005,000 | - |
| | <u>\$18,292,968</u> | <u>\$426,419</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

At December 31, 2022, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes of assumptions | \$3,111,674 | \$558,099 |
| Difference between actual and expected experience | 559,619 | 258,677 |
| Difference between projected and actual earnings | - | 12,337,335 |
| Contributions subsequent to measurement date | 3,840,000 | - |
| | <u>\$7,511,293</u> | <u>\$13,154,111</u> |

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

| <u>Fiscal Year ending 12/31</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| 2024 | \$2,270,555 | \$302,958 |
| 2025 | 3,114,248 | 75,462 |
| 2026 | 4,144,114 | 44,972 |
| 2027 | 4,759,052 | 3,027 |
| Totals | <u>\$14,287,969</u> | <u>\$426,419</u> |

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

| | | | |
|--|--------------------------|----------------------------|--------------------------|
| | 1% Decrease 4.46% | Discount Rate 5.46% | 1% Increase 6.46% |
| Net Pension Liability/(Asset) 12/31/23 | \$38,339,768 | \$24,019,131 | \$12,029,132 |
| | 1% Decrease 4.75% | Discount Rate 5.75% | 1% Increase 6.75% |
| Net Pension Liability/(Asset) 12/31/22 | \$12,518,117 | (\$880,064) | (\$12,111,562) |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

| | Measurement Period Ending Fiscal Year Ending | 12/31/2022 12/31/2023 | 12/31/2021 12/31/2022 |
|---|---|-----------------------------|-----------------------------|
| <u>TOTAL PENSION LIABILITY</u> | | | |
| Service cost | | \$1,848,298 | \$1,858,620 |
| Interest | | 5,989,274 | 5,823,219 |
| Benefit payments | | (4,904,679) | (4,628,248) |
| Difference between expected and actual experience | | (154,311) | (157,715) |
| Change in assumptions | | 3,499,231 | 147,923 |
| Net Change in Total Pension Liability | | <u>\$6,277,813</u> | <u>\$3,043,799</u> |
| Total Pension Liability, beginning of period | | <u>\$104,916,472</u> | <u>\$101,872,673</u> |
| Total Pension Liability, end of period | | <u><u>\$111,194,285</u></u> | <u><u>\$104,916,472</u></u> |
| <u>PLAN FIDUCIARY NET POSITION</u> | | | |
| Employer contributions | | \$3,840,000 | \$3,823,002 |
| Net investment income | | (17,414,629) | 12,437,361 |
| Benefit payments | | (4,904,679) | (4,628,248) |
| Administration expenses | | (142,074) | (142,074) |
| Net Change in Plan Fiduciary Net Position | | <u>(\$18,621,382)</u> | <u>\$11,490,041</u> |
| Plan Fiduciary Net Position, beginning of period | | <u>\$105,796,536</u> | <u>\$94,306,495</u> |
| Plan Fiduciary Net Position, end of period | | <u><u>\$87,175,154</u></u> | <u><u>\$105,796,536</u></u> |
| | | | |
| NET PENSION LIABILITY (ASSET) | | <u><u>\$24,019,131</u></u> | <u><u>(\$880,064)</u></u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 9 – FIDUCIARY PENSION TRUST FUND – GASB 67 DISCLOSURES

For the measurement date of December 31, 2023, the following assumptions were updated: (1) the municipal bond rate of 3.63%, (2) the mortality improvement scale is based on MIM-2021-v4 application tool, (3) the discount rate of 5.88% is used to determine the end of period total pension liability, and (4) with regards to future employer contributions, employer normal cost is assumed to continue at 7.95% of payroll and expenses are assumed to start at \$197,000.

As of the measurement dates of December 31, 2023 and December 31, 2022, the following plan members (including MAGIC employees – see Note 17) were covered by the benefit terms:

| | <u>12/31/2023</u> | <u>12/31/2022</u> |
|--|-------------------|-------------------|
| Active plan members | 251 | 255 |
| Inactive plan members entitled to but not yet receiving benefits | 99 | 99 |
| Disabled plan members entitled to benefits | 0 | 0 |
| Retired plan members or beneficiaries currently receiving benefits | <u>252</u> | <u>242</u> |
| TOTAL | <u>602</u> | <u>596</u> |

| Measurement date 12/31/23 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes of assumptions | \$2,294,139 | \$4,105,186 |
| Difference between actual and expected experience | 327,633 | 123,461 |
| Difference between projected and actual earnings | 14,071,324 | 10,453,427 |
| Contributions subsequent to measurement date | - | - |
| | <u>\$16,693,096</u> | <u>\$14,682,074</u> |

| Measurement date 12/31/22 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes of assumptions | \$4,452,522 | \$180,682 |
| Difference between actual and expected experience | 260,806 | 245,737 |
| Difference between projected and actual earnings | 18,761,765 | 9,187,125 |
| Contributions subsequent to measurement date | - | - |
| | <u>\$23,475,093</u> | <u>\$9,613,544</u> |

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

| | | | |
|--|--------------------------|----------------------------|--------------------------|
| | 1% Decrease 4.88% | Discount Rate 5.88% | 1% Increase 6.88% |
| Net Pension Liability/(Asset) 12/31/2023 | \$23,978,586 | \$10,434,715 | (\$940,108) |
| | 1% Decrease 4.46% | Discount Rate 5.46% | 1% Increase 6.46% |
| Net Pension Liability/(Asset) 12/31/2022 | \$38,339,768 | \$24,019,131 | \$12,029,132 |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 9 – FIDUCIARY PENSION TRUST FUND – GASB 67 DISCLOSURES (cont.)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

| Measurement Period & Fiduciary Plan Year Ending | 12/31/2023 | 12/31/2022 |
|---|----------------------------|----------------------------|
| <u>TOTAL PENSION LIABILITY</u> | | |
| Service cost | 2,085,757 | 1,848,298 |
| Interest | 6,033,758 | 5,989,274 |
| Benefit payments | (5,228,235) | (4,904,679) |
| Difference between expected and actual experience | 342,360 | (154,311) |
| Change in assumptions | (5,464,519) | 3,499,231 |
| Change in benefit terms | - | - |
| Net Change in Total Pension Liability | <u>(\$2,230,879)</u> | <u>\$6,277,813</u> |
| Total Pension Liability, beginning of period | <u>111,194,285</u> | <u>104,916,472</u> |
| Total Pension Liability, end of period | <u>\$108,963,406</u> | <u>\$111,194,285</u> |
| <u>FIDUCIARY NET POSITION</u> | | |
| Employer contributions | 4,005,000 | 3,840,000 |
| Net investment income | 12,730,081 | (17,414,629) |
| Benefit payments | (5,228,235) | (4,904,679) |
| Administration expenses | (158,309) | (142,074) |
| Net Change in Fiduciary Net Position | <u>\$11,348,537</u> | <u>(\$18,621,382)</u> |
| Fiduciary Net Position, beginning of period | <u>87,175,154</u> | <u>105,796,536</u> |
| Fiduciary Net Position, end of period | <u>\$98,523,691</u> | <u>\$87,175,154</u> |
| NET PENSION LIABILITY/(ASSET) | <u>\$10,439,715</u> | <u>\$24,019,131</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 10 – IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS)

The utility contributes to IPERS for full-time utility employees who have elected not to participate in the Plan provided by the utility. IPERS is a cost-sharing multi-employer defined benefit pension plan administered by the State of Iowa. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits). Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member’s earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member’s lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies the IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. The IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

IPERS members are required to contribute 6.29% from July 1, 2018 through June 30, 2024 of their annual covered salary. The utility is required to contribute 9.44% from July 1, 2018 through June 30, 2024 of employees covered annual salaries. The contributions to IPERS for the years ending December 31, 2023, December 31, 2022 and December 31, 2021 were \$79,667, \$82,308 and \$81,504, respectively, equal to the required contributions for those years. A measurement period of July 1, 2022 to June 30, 2023 has been used for the fiscal year ending December 31, 2023 for GASB 68 reporting.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 10 – IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) (cont.)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO IPERS

At December 31, 2023 and December 31, 2022, the utility reported a liability of \$432,059 and \$429,583, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of the preceding June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that 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 IPERS participating employers. At June 30, 2023, the utility’s collective proportion was 0.009364%, which was an decrease of 0.001349% from its proportion measured as of June 30, 2022. At June 30, 2022, the utility’s collective proportion was 0.010823%, which was an increase of 0.000182% from its proportion measured as of June 30, 2021.

For the years ended December 31, 2023 and December 31, 2022, the utility recognized IPERS expense (income) of \$70,632 and \$28,251, respectively. As of December 31, 2023, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between actual and expected experience | \$36,553 | \$1,776 |
| Changes of assumptions | - | 7 |
| Difference between projected and actual earnings | 40,014 | - |
| Contributions subsequent to measurement date | 39,887 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 82,349 | 73,751 |
| | <u>\$198,803</u> | <u>\$75,534</u> |

As of December 31, 2022, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between actual and expected experience | \$19,043 | \$5,884 |
| Changes of assumptions | 364 | 10 |
| Difference between projected and actual earnings | - | 45,985 |
| Contributions subsequent to measurement date | 39,641 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 123,580 | 19,082 |
| | <u>\$182,628</u> | <u>\$70,961</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 10 – IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) (cont.)

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to IPERS will be recognized in the pension expense as follows:

| <u>Fiscal Year ending 12/31</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------|---|--|
| 2024 | \$59,355 | \$20,067 |
| 2025 | 50,660 | 16,240 |
| 2026 | 39,797 | 11,538 |
| 2027 | 7,869 | 11,538 |
| 2028 | 1,235 | 11,538 |
| 2029 | <u>0</u> | <u>4,613</u> |
| Totals | <u>\$158,916</u> | <u>\$75,534</u> |

There were no non-employer contributing entities at IPERS.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2022 and June 30, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.6% (effective June 30, 2017) |
| Investment rate of return | 7.0% (effective June 30, 2017) |
| Salary increases | 3.25%-16.25% depending on years of service (effective June 30, 2017) |
| Wage base | 3.25% (based on 2.6% inflation assumption and 0.65% real wage inflation; effective June 30, 2017) |

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the PubG-2010 Mortality Table for all groups, with mortality improvements modeled using Scale MP-2021.

Several factors are considered in evaluating the actuarial assumed investment return including long-term historical data, estimates inherent in current market data, along with estimates of variability and correlations for each asset class, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed by the System’s investment consultant. These ranges were combined to develop the actuarial assumed investment return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The actuarial assumed investment return reflects the anticipated returns on current and future plan-assets and provides a discount rate to determine the present value of future benefit payments.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 10 – IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) (cont.)

The target allocation and best estimates of geometric long-term expected real rates of return are summarized in the following table:

| Asset Class | as of June 30, 2023 | | as of June 30, 2022 | |
|--------------------------|---------------------|----------------|---------------------|----------------|
| | Target | | Target | |
| | Allocation | Rate of return | Allocation | Rate of return |
| Core-plus fixed income | 23.0% | 2.69% | 20.0% | 1.66% |
| Domestic equity | 21.0% | 4.56% | 22.0% | 3.57% |
| International equity | 16.5% | 6.22% | 17.5% | 4.79% |
| Private equity | 17.0% | 10.44% | 13.0% | 7.57% |
| Private real assets | 9.0% | 3.88% | 8.5% | 3.55% |
| Global smart beta equity | 5.0% | 5.22% | 6.0% | 4.16% |
| Public credit | 3.0% | 4.38% | 4.0% | 3.77% |
| Private credit | 4.5% | 4.60% | 8.0% | 3.63% |
| Cash | <u>1.0%</u> | 1.59% | <u>1.0%</u> | 0.77% |
| TOTAL | <u>100.0%</u> | | <u>100.0%</u> | |

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from employees and employers will be made at the contractually required rates, which are set by the Contribution Rate Funding Policy and derived from the actuarial valuation. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the actuarial assumed investment return was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE COLLECTIVE NET PENSION LIABILITY-IPERS TO CHANGES IN THE DISCOUNT RATE

| | 1% Decrease 6.0% | Discount Rate 7.0% | 1% Increase 8.0% |
|--------------------------------------|------------------|--------------------|------------------|
| Net Pension Liability-IPERS 12/31/23 | \$918,653 | \$432,059 | \$24,285 |
| Net Pension Liability-IPERS 12/31/22 | \$800,364 | \$429,583 | \$102,822 |

Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS website at www.ipers.org.

At December 31, 2023 and December 31, 2022, the utility reported payables to the defined benefit pension plan of \$6,746 and \$8,915 for legally required employer contributions and \$4,495 and \$5,940 for legally required employee contributions, respectively, which had not yet been remitted to IPERS.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 11 – AGGREGATE PENSION SCHEDULES

Aggregate Net Pension Liability Schedule - 2023

| | Single-Employer Defined | | |
|----------------|-----------------------------|-------------------|----------------------|
| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
| Electric | \$ 18,918,200 | \$ 101,549 | \$ 19,019,749 |
| Water | 1,498,743 | 321,705 | 1,820,447 |
| Communications | 3,419,431 | 8,805 | 3,428,236 |
| MAGIC | 182,757 | - | 182,757 |
| | <u>\$ 24,019,131</u> | <u>\$ 432,059</u> | <u>\$ 24,451,190</u> |

Aggregate Deferred Outflows of Resources Schedule - 2023

| | Single-Employer Defined | | |
|----------------|-----------------------------|-------------------|----------------------|
| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
| Electric | \$ 14,455,103 | \$ 46,726 | \$ 14,501,829 |
| Water | 1,119,523 | 148,026 | 1,267,549 |
| Communications | 2,592,110 | 4,052 | 2,596,162 |
| MAGIC | 126,232 | - | 126,232 |
| | <u>\$ 18,292,968</u> | <u>\$ 198,803</u> | <u>\$ 18,491,771</u> |

Aggregate Deferred Inflows of Resources Schedule - 2023

| | Single-Employer Defined | | |
|----------------|-----------------------------|------------------|-------------------|
| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
| Electric | \$ 336,956 | \$ 17,753 | \$ 354,709 |
| Water | 26,097 | 56,241 | 82,338 |
| Communications | 60,424 | 1,539 | 61,963 |
| MAGIC | 2,942 | - | 2,942 |
| | <u>\$ 426,419</u> | <u>\$ 75,534</u> | <u>\$ 501,953</u> |

Aggregate Pension Expense Schedule - 2023

| | Single-Employer Defined | | |
|----------------|-----------------------------|------------------|---------------------|
| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
| Electric | \$ 4,262,993 | \$ 16,601 | \$ 4,279,594 |
| Water | 330,163 | 52,592 | 382,755 |
| Communications | 764,447 | 1,439 | 765,887 |
| MAGIC | 37,224 | - | 37,224 |
| | <u>\$ 5,394,828</u> | <u>\$ 70,632</u> | <u>\$ 5,465,460</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 11 – AGGREGATE PENSION SCHEDULES (cont.)

Aggregate Net Pension Liability Schedule (Asset) - 2022
Single-Employer Defined

| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
|----------------|-----------------------------|-------------------|---------------------|
| Electric | \$ (757,144) | \$ 53,311 | \$ (703,833) |
| Water | (25,088) | 322,785 | 297,697 |
| Communications | (108,785) | 53,487 | (55,298) |
| MAGIC | 10,953 | - | 10,953 |
| | <u>\$ (880,064)</u> | <u>\$ 429,583</u> | <u>\$ (450,481)</u> |

Aggregate Deferred Outflows of Resources Schedule - 2022
Single-Employer Defined

| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
|----------------|-----------------------------|-------------------|---------------------|
| Electric | \$ 5,935,424 | \$ 22,664 | \$ 5,958,088 |
| Water | 459,684 | 137,225 | 596,910 |
| Communications | 1,064,347 | 22,739 | 1,087,086 |
| MAGIC | 51,838 | - | 51,838 |
| | <u>\$ 7,511,293</u> | <u>\$ 182,628</u> | <u>\$ 7,693,922</u> |

Aggregate Deferred Inflows of Resources Schedule - 2022
Single-Employer Defined

| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
|----------------|-----------------------------|------------------|----------------------|
| Electric | \$ 10,394,379 | \$ 8,806 | \$ 10,403,185 |
| Water | 805,032 | 53,320 | 858,351 |
| Communications | 1,863,938 | 8,835 | 1,872,773 |
| MAGIC | 90,762 | - | 90,762 |
| | <u>\$ 13,154,111</u> | <u>\$ 70,961</u> | <u>\$ 13,225,071</u> |

Aggregate Pension Expense (Income) Schedule - 2022
Single-Employer Defined

| | <u>Benefit Pension Plan</u> | <u>IPERS</u> | <u>Total</u> |
|----------------|-----------------------------|------------------|---------------------|
| Electric | \$ (448,164) | \$ 3,506 | \$ (444,658) |
| Water | (34,710) | 21,228 | (13,482) |
| Communications | (80,365) | 3,517 | (76,848) |
| MAGIC | (3,913) | - | (3,913) |
| | <u>\$ (567,152)</u> | <u>\$ 28,251</u> | <u>\$ (538,901)</u> |

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 12 – SIGNIFICANT CUSTOMERS

Approximately \$22,364,000, or 23%, in 2023 and \$31,281,900, or 21%, in 2022 of the electric utility's operating revenues were derived from sales to one customer. Approximately \$4,314,000 or 52%, in 2023 and \$4,070,100 or 51%, in 2022 of the water utility's operating revenues were derived from sales to same customer.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A power purchase agreement for wind energy was originally entered into in December 2013. An amended and restated agreement was executed in June 2016. It is a 20-year agreement that commenced fourth quarter 2016 with the wind farm's December 15, 2016 commercial operation date. The wind farm is located in Jackson County, Minnesota, which is in the utility's MISO local resource zone. Terms include a fixed first-year rate for delivered energy, with a 2.2% annual price escalation over the life of the agreement. The utility is subject to market risk up to a specified net loss for a 12-month period. The contract also includes a margin-sharing provision if the net energy earnings are positive.

The utility has committed to purchasing 304,700 tons of coal in 2024 and 219,000 tons in 2025 under three contracts with one supplier. If additional tons become necessary, they will be purchased on the OTC market or by working directly with a coal mining company.

The utility has rail transportation agreements with two separate companies for the delivery of coal. The utility's first agreement is for coal shipped from the Powder River Basin (PRB), Wyoming to an interchange with the local delivery carrier. The current contract with the BNSF Railway (originating carrier) was amended in 2022 and now expires December 31, 2027. The utility's minimum requirement is 100% of the tons shipped from the PRB up to the utility's annual tonnage nomination. In the event the utility does not meet its nominated tons, the utility has agreed to pay a per-ton fee as compensation for lost traffic.

The agreement with the Canadian Pacific Railway for the shipment of coal from the interchange point to the utility's generating station expires December 31, 2024. A new agreement is expected to be in place prior to expiration of the current agreement. The Canadian Pacific Railway is only offering one-year agreements. The utility's minimum volume commitment (MVC) is 2,585 railcars or 21 trains. In the event the utility does not meet that requirement the utility has agreed to an amount equal to the additional amount of freight charges that would have been due had the MVC been met.

In April 2017, the utility contracted to sell steam to a local customer through April 2020; another extension was agreed to in October 2019 to sell steam through December 2022. Sales of steam under this contract ended in December 2022.

The utility entered into a purchased power agreement with Nokomis Energy in November 2022 for a 30-year agreement for Nokomis Energy to develop, construct and operate a 24 MW solar project on utility-owned property. Completion of the project is anticipated to occur in the fourth quarter of 2025.

NOTE 14 – ENVIRONMENTAL REGULATIONS

All generating units are in compliance with current state and federal regulations. Management anticipates that any additional costs incurred related to ongoing compliance with current or new environmental regulations will be recovered through rates charged to its electric utility customers.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS

The electric utility sold electric services to the water utility amounting to approximately \$1,319,100 in 2023 and \$1,293,900 in 2022. The electric utility sold electric services to the communications utility amounting to approximately \$50,200 in 2023 and \$49,700 in 2022. The electric utility purchased water from the water utility amounting to approximately \$355,100 in 2023 and \$511,300 in 2022. The electric utility purchased communications services from the communications utility amounting to approximately \$130,400 for 2023 and \$152,200 for 2022. The water utility purchased communications services from the communications utility amounting to approximately \$6,400 for 2023 and \$11,700 for 2022.

The electric utility rents space to the water utility and the communications utility at its Administration/Operations Center. Rent amounted to \$84,683 in 2023 and \$82,217 in 2022 for the water utility's rent and \$ 136,943 in 2023 and \$132,954 in 2022 for the communications utility's rent.

Electric utility accounts receivable from the water utility were \$108,000 and \$110,700 at December 31 of 2023 and 2022, respectively. Electric utility accounts payable to the water utility were \$27,900 and \$43,400 at December 31 of 2023 and 2022, respectively. Electric utility accounts receivable from the communications utility were \$8,500 and \$49,700 at December 31 of 2023 and 2022, respectively. Electric utility accounts payable to the communications utility were \$5,400 and \$11,500 at December 31 of 2023 and 2022, respectively. Water utility accounts payable to the communications utility were \$400 and \$1,000 at December 31 of 2023 and 2022, respectively.

Prior to 2004, the electric utility advanced \$35,327,000 to the communications utility for capital improvements and acquisition of a cable television system. On November 25, 2014, the Board approved an amendment to this loan agreement that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50% and modifying the amortization of the note from a 30-year period to a 20-year period. These new terms became effective January 1, 2015. Annual principal payments began January 1, 2016; biannual payments of interest are due each January 1 and July 1. All or any portion of such loan may be prepaid at any time by the communications utility without penalty.

The electric utility's interest receivable from the communications utility was \$0 at December 31, 2023 and December 31, 2022. Interest income on the loan amounted to \$25,596 for 2023 and \$33,064 for 2022.

The electric utility's interest receivable from the water utility was \$0 at December 31, 2023. Interest income on the loan amounted to \$87,230 in 2023.

Costs incurred on a combined basis among the utilities are allocated to each utility on the basis of revenues, utility plant in service, labor expense and/or number of customers.

Members of the Board are also officers and/or directors of companies that are customers of the utility. Most employees are also customers of the utility.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2023 and 2022

NOTE 16 – RISK MANAGEMENT

The utility is exposed to various risks of loss related to destruction of assets and natural disasters. The utility is also exposed to various risks of loss relating to torts, errors and omissions, health and injuries to employees. The utility purchases commercial insurance for claims related to these risks subject to certain deductibles. Open claims and an estimate for incurred but not reported claims are accrued up to deductible limits. Settled claims have not exceeded reserves in the last three years. There were no significant reductions in coverage compared to the prior year.

The health and dental and workers' compensation self-insurance reserves are shown below. These expenses tend to fluctuate based on claims.

| (Thousands of dollars) | 2023 | 2022 | 2021 |
|---|----------------|----------------|-----------------|
| Health/dental care self-insurance reserve | | | |
| Reserve liability, beginning of year | \$ 142 | \$ 2,031 | \$ 1,592 |
| Add: Provision for reserve, current year | 4,686 | 2,825 | 5,431 |
| Less: Payments on reserve | <u>(4,250)</u> | <u>(4,250)</u> | <u>(4,693)</u> |
| Total Reserve Liability, end of year | 578 | 606 | 2,330 |
| Incurred but not reported claims | <u>(309)</u> | <u>(464)</u> | <u>(299)</u> |
| Non-Current Reserve Liability, End of Year | <u>\$ 269</u> | <u>\$ 142</u> | <u>\$ 2,031</u> |
| (Thousands of dollars) | 2023 | 2022 | 2021 |
| Workers' compensation self-insurance reserve | | | |
| Reserve liability, beginning of year | \$ 104 | \$ 351 | \$ 359 |
| Add: Provision for reserve | 30 | 35 | 145 |
| Less: Payments on reserve | <u>(114)</u> | <u>(282)</u> | <u>(153)</u> |
| Reserve Liability, End of Year | <u>\$ 20</u> | <u>\$ 104</u> | <u>\$ 351</u> |

NOTE 17 – JOINT VENTURE

The utility is a member organization along with the City of Muscatine and the County of Muscatine in a joint venture under Chapter 28E of the Iowa Code to operate the Muscatine Area Geographic Information Consortium (MAGIC). The purpose of MAGIC is to improve the efficiency and effectiveness of its member organizations through the coordinated development of geographic and land information systems technology and data. MAGIC is governed by a six-member board composed of two appointees from each member organization. Each member organization has one vote on all matters. MAGIC's board determines the funding required by each member organization. Upon dissolution of the joint venture, the net position of MAGIC will be distributed on a pro-rata basis based on funding. Complete financial statements for MAGIC can be obtained from the Muscatine Power and Water Administration/Operations Center, 3205 Cedar Street, Muscatine, Iowa 52761.

The utility accounts for this investment under the equity method since it has the ability to exercise significant influence over the joint venture and it has an explicit equity interest in the joint venture. The utility has rights to the information systems technology and data, and the cost of such rights are amortized over their expected average useful life of 26 years. The utility's share of MAGIC's operating expenses is expensed as incurred.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 18 – CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the electric utility to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the electric utility reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1.2 million reported as landfill closure and post-closure care liability at December 31, 2023, represents the remaining cumulative amount reported to date based on the use of approximately 67% of the estimated capacity of the landfill's phases one and two. The electric utility will recognize the remaining estimated cost of closure and post-closure care of \$601,877 as the remaining estimated capacity is filled. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The electric utility is required by state and federal laws and regulations to file a statement to demonstrate financial assurance for closure and/or post-closure care costs.

NOTE 19 – POWER PLANT DECOMMISSIONING

The utility plans to decommission three power plant units at the generation plant once they are retired. A plant decommissioning liability was added in 2023 in accordance with GASB Statement No. 62 Accounting and Financial Reporting Guidance. Significant costs are expected to decommission the power plants and associated facilities. The Electric Utility has reflected a liability of \$12 million and plans to recognize depreciation expenses in advance of demolition. Electric rates will be set to recover these expenses and ensure adequate available cash reserves to pay for the costs when they are incurred. The Electric Utility will recognize a deferred outflow to recognize the expenditures for decommissioning over time. The liability will be updated based on such changes as inflation assumptions and decommissioning cost estimates from engineering studies. Depreciation of the deferred outflow based on the liability amount reflects the expected lives of the unit. All future electric cost of service studies for setting electric rates will include these estimated costs until decommissioning is completed.

NOTE 20 – SUBSEQUENT EVENTS

COMMUNICATIONS RATES

In March 2024, an overall 7.0% rate increase for video services was approved by the Board to become effective May 1, 2024. Digital TV Basic broadcast surcharge will increase \$3.09 to \$25.18 per month; Select Digital TV service will increase \$5.00 to \$94.99 per month; the broadcast surcharge will increase \$3.09 to \$25.18 per month; and the regional sports charge for Select service will increase \$0.76 to \$10.25 per month.

POWER SUPPLY PLANNING

In March 2023, the Board approved MPW's investigation of: (1) extending the life of MPW's largest coal generation unit (Unit 9) beyond 2028, (2) building a 50 MW or smaller gas-fired combined heat and power unit that would produce electricity for the benefit of MPW customers and steam for a nearby industrial customer, and (3) adding 76 MW of renewable generation (solar and possibly wind).

REQUIRED SUPPLEMENTARY INFORMATION

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2023 (unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

| | TOTAL PENSION LIABILITY | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Measurement date | 12/31/2023 | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 |
| Fiscal Year | 12/31/2024 | 12/31/2023 | 12/31/2022 | 12/31/2021 | 12/31/2020 |
| TOTAL PENSION LIABILITY | | | | | |
| Service cost | \$2,085,757 | \$1,848,298 | \$1,858,620 | \$1,578,324 | \$1,557,289 |
| Interest | 6,033,758 | 5,989,274 | 5,823,219 | 5,739,672 | 5,552,211 |
| Benefit payments | (5,228,235) | (4,904,679) | (4,628,248) | (4,331,785) | (3,692,986) |
| Difference between expected and actual experience | 342,360 | (154,311) | (157,715) | 831,913 | (413,970) |
| Change in assumptions | <u>(5,464,519)</u> | <u>3,499,231</u> | <u>147,923</u> | <u>5,529,903</u> | <u>(1,597,802)</u> |
| Net Change in Total Pension Liability | (\$2,230,879) | \$6,277,813 | \$3,043,799 | \$9,348,027 | \$1,404,742 |
| Total Pension Liability, beginning of period | <u>\$111,194,285</u> | <u>\$104,916,472</u> | <u>\$101,872,673</u> | <u>\$92,524,646</u> | <u>\$91,119,904</u> |
| Total Pension Liability, end of period | <u>\$108,963,406</u> | <u>\$111,194,285</u> | <u>\$104,916,472</u> | <u>\$101,872,673</u> | <u>\$92,524,646</u> |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Employer contributions | \$4,005,000 | \$3,840,000 | \$3,823,002 | \$3,124,701 | \$3,345,873 |
| Net investment income | 12,730,081 | (17,414,629) | 12,437,361 | 13,070,517 | 13,147,954 |
| Benefit payments | (5,228,235) | (4,904,679) | (4,628,248) | (4,331,785) | (3,692,986) |
| Administration expenses | <u>(158,309)</u> | <u>(142,074)</u> | <u>(142,074)</u> | <u>(145,574)</u> | <u>(67,728)</u> |
| Net Change in Plan Fiduciary Net Position | \$11,348,537 | (\$18,621,382) | \$11,490,041 | \$11,717,859 | \$12,733,113 |
| Plan Fiduciary Net Position, beginning of period | <u>\$87,175,154</u> | <u>\$105,796,536</u> | <u>\$94,306,495</u> | <u>\$82,588,636</u> | <u>\$69,855,523</u> |
| Plan Fiduciary Net Position, end of period | <u>\$98,523,691</u> | <u>\$87,175,154</u> | <u>\$105,796,536</u> | <u>\$94,306,495</u> | <u>\$82,588,636</u> |
| NET PENSION LIABILITY | <u>\$10,439,715</u> | <u>\$24,019,131</u> | <u>(\$880,064)</u> | <u>\$7,566,178</u> | <u>\$9,936,010</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 90.4% | 78.4% | 100.8% | 92.6% | 89.3% |
| Covered Valuation Payroll | \$22,900,606 | \$22,684,111 | \$21,797,004 | \$22,755,120 | \$21,461,252 |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 45.6% | 105.9% | -4.0% | 33.3% | 46.3% |

See Independent Auditor's Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2023 (unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

| | Measurement date Fiscal Year | 12/31/2018 12/31/2019 | 12/31/2017 12/31/2018 | 12/31/2016 12/31/2017 | 12/31/2015 12/31/2016 | 12/31/2014 12/31/2015 |
|---|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| TOTAL PENSION LIABILITY | | | | | | |
| Service cost | | \$1,470,422 | \$1,513,685 | \$1,389,645 | \$1,293,507 | \$1,397,201 |
| Interest | | 5,411,414 | 5,196,759 | 5,128,482 | 4,857,025 | 4,743,318 |
| Benefit payments | | (3,443,179) | (3,166,243) | (2,793,981) | (2,672,730) | (2,370,911) |
| Difference between expected and actual experience | | 942,640 | 450,770 | (1,006,283) | 652,758 | (943,990) |
| Change in assumptions | | <u>(201,125)</u> | <u>(347,807)</u> | <u>4,507,826</u> | <u>(123,402)</u> | <u>3,959,905</u> |
| Net Change in Total Pension Liability | | \$4,180,172 | \$3,647,164 | \$7,225,689 | \$4,007,158 | \$6,785,523 |
| Total Pension Liability, beginning of period | | <u>\$86,939,732</u> | <u>\$83,292,568</u> | <u>\$76,066,879</u> | <u>\$72,059,721</u> | <u>\$65,274,198</u> |
| Total Pension Liability, end of period | | <u>\$91,119,904</u> | <u>\$86,939,732</u> | <u>\$83,292,568</u> | <u>\$76,066,879</u> | <u>\$72,059,721</u> |
| PLAN FIDUCIARY NET POSITION | | | | | | |
| Employer contributions | | \$3,504,169 | \$3,233,148 | \$2,781,411 | \$2,683,000 | \$2,619,320 |
| Net investment income | | (3,545,522) | 9,741,653 | 3,529,390 | (266,965) | 3,183,800 |
| Benefit payments | | (3,443,179) | (3,166,243) | (2,793,981) | (2,672,730) | (2,370,911) |
| Administration expenses | | - | - | (4,500) | - | (1,950) |
| Net Change in Plan Fiduciary Net Position | | (\$3,484,532) | \$9,808,558 | \$3,512,320 | (\$256,695) | \$3,430,259 |
| Plan Fiduciary Net Position, beginning of period | | <u>\$73,340,055</u> | <u>\$63,531,497</u> | <u>\$60,019,177</u> | <u>\$60,275,872</u> | <u>\$56,845,613</u> |
| Plan Fiduciary Net Position, end of period | | <u>\$69,855,523</u> | <u>\$73,340,055</u> | <u>\$63,531,497</u> | <u>\$60,019,177</u> | <u>\$60,275,872</u> |
| NET PENSION LIABILITY | | <u>\$21,264,381</u> | <u>\$13,599,677</u> | <u>\$19,761,071</u> | <u>\$16,047,702</u> | <u>\$11,783,849</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 76.7% | 84.4% | 76.3% | 78.9% | 83.6% |
| Covered Valuation Payroll | | \$20,802,753 | \$19,722,272 | \$19,812,794 | \$20,849,573 | \$19,530,308 |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | | 102.2% | 69.0% | 99.7% | 77.0% | 60.3% |

See Independent Auditor's Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2023 (unaudited)

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

| | |
|------------------------------|---|
| Actuarial cost method | Entry Age Normal Method |
| Asset valuation method | Market Value |
| Investment rate of return | 5.88% |
| Inflation | 2.40% |
| Retirement rate | 25% at each age group 62 years – 65 years |
| Salary increases (age-based) | Age 25 – 6.18%; Age 40 – 4.72%; Age 55 – 3.88% |
| Wage base | 3.50% |
| Marriage rate | 75% |
| Mortality | Pri-2012 total dataset projected generationally using the Principal Mortality Improvement Scale, Principal 2023 |

See Independent Auditor's Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System
For the Year Ended December 31, 2023 (unaudited)

SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE OF THE IPERS NET PENSION LIABILITY:

| | <u>12/31/2023</u> | <u>12/31/2022</u> | <u>12/31/2021</u> | <u>12/31/2020</u> | <u>12/31/2019</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Proportion of the Net Pension Liability | 0.009364% | 0.010823% | 0.010630% | 0.010151% | 0.008276% |
| Proportionate share of the Net Pension Liability | \$432,059 | \$429,583 | \$14,902 | \$708,117 | \$482,470 |
| Covered Valuation Payroll | \$841,327 | \$915,758 | \$862,746 | \$799,956 | \$634,088 |
| Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll | 51.4% | 46.9% | 1.7% | 88.5% | 76.1% |
| Plan Fiduciary Net Position as a % of the Total Pension Liability | 89.2% | 90.3% | 99.6% | 81.9% | 84.4% |
| | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | |
| Proportion of the Net Pension Liability | 0.009012% | 0.007749% | 0.006906% | 0.00916% | |
| Proportionate share of the Net Pension Liability | \$570,121 | \$483,234 | \$343,338 | \$363,277 | |
| Covered Valuation Payroll | \$579,595 | \$551,040 | \$476,102 | \$595,572 | |
| Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll | 98.4% | 87.7% | 72.1% | 61.0% | |

The amounts presented were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available

CHANGES OF BENEFIT AND FUNDING TERMS:

There are no significant changes in benefit and funding terms.

CHANGES IN ACTUARIAL ASSUMPTIONS:

The 2022 valuation implemented the following refinements as a result of a quadrennial experience study:

- Updated mortality rates.
- Assumed retirement rates were modified.

The 2018 valuation implemented the following refinements as a result of a quadrennial experience study:

- Updated mortality rates.
- Assumed retirement rates were modified.

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees’ Retirement System
For the Year Ended December 31, 2023 (unaudited)

CHANGES IN ACTUARIAL ASSUMPTIONS CONT:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded accrued liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

SCHEDULE OF THE UTILITY’S IPERS CONTRIBUTIONS:

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contribution | \$79,667 | \$82,308 | \$81,504 | \$82,972 | \$66,922 |
| Contributions in relation to the statutorily required contribution | <u>79,667</u> | <u>82,308</u> | <u>81,504</u> | <u>82,972</u> | <u>66,922</u> |
| Contribution deficiency (excess) | - | - | - | - | - |
| Covered employee payroll | \$843,932 | \$871,911 | \$863,394 | \$878,943 | \$708,921 |
| Contributions as a percentage of covered-employee payroll | 9.44% | 9.44% | 9.44% | 9.44% | 9.44% |
| | | | | | |
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Statutorily required contribution | \$59,468 | \$56,861 | \$49,963 | \$46,930 | \$45,186 |
| Contributions in relation to the statutorily required contribution | <u>59,468</u> | <u>56,861</u> | <u>49,963</u> | <u>46,930</u> | <u>45,186</u> |
| Contribution deficiency (excess) | - | - | - | - | - |
| Covered employee payroll | \$648,271 | \$636,745 | \$559,496 | \$525,532 | \$506,004 |
| Contributions as a percentage of covered-employee payroll | 9.17% | 8.93% | 8.93% | 8.93% | 8.93% |

See Independent Auditor’s Report

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2023 (unaudited)

Schedule of Changes in Net OPEB Liability

| Measurement date | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fiscal Year | 12/31/2023 | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
| TOTAL OPEB LIABILITY | | | | | | | |
| Service cost | \$55,803 | \$54,130 | \$34,612 | \$34,612 | \$34,071 | \$35,606 | \$35,606 |
| Interest | 36,435 | 35,874 | 36,517 | 36,876 | 37,603 | 36,710 | 36,710 |
| Benefit payments | (72,238) | (74,549) | (62,135) | (83,079) | (44,748) | (44,748) | (44,748) |
| Difference between expected and actual experience | (10,379.00) | - | (22,287) | 14,418 | 55,389 | 14,157 | 67,861 |
| Change in assumptions | (41,231.00) | - | 241,127 | (22,224) | (54,416) | - | (135,819) |
| Net Change in Total OPEB Liability | (\$31,610) | \$15,455 | \$227,834 | (\$19,397) | \$27,899 | \$41,725 | (\$40,390) |
| Total OPEB Liability, beginning of period | <u>\$1,159,290</u> | <u>\$1,143,835</u> | <u>\$916,001</u> | <u>\$935,398</u> | <u>\$907,499</u> | <u>\$865,774</u> | <u>\$906,164</u> |
| Total OPEB Liability, end of period | <u>\$1,127,680</u> | <u>\$1,159,290</u> | <u>\$1,143,835</u> | <u>\$916,001</u> | <u>\$935,398</u> | <u>\$907,499</u> | <u>\$865,774</u> |
| FIDUCIARY NET POSITION | | | | | | | |
| Employer contributions | \$72,238 | \$74,549 | \$62,135 | \$83,079 | \$44,748 | \$44,748 | \$44,748 |
| Net investment income | - | - | - | - | - | - | - |
| Benefit payments | (72,238) | (74,549) | (62,135) | (83,079) | (44,748) | (44,748) | (44,748) |
| Administration expenses | - | - | - | - | - | - | - |
| Net Change in Fiduciary Net Position | - | - | - | - | - | - | - |
| Fiduciary Net Position, beginning of period | - | - | - | - | - | - | - |
| Fiduciary Net Position, end of period | - | - | - | - | - | - | - |
| NET OPEB LIABILITY | <u>\$1,127,680</u> | <u>\$1,159,290</u> | <u>\$1,143,835</u> | <u>\$916,001</u> | <u>\$935,398</u> | <u>\$907,499</u> | <u>\$865,774</u> |
| Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Covered Valuation Payroll | \$20,845,706 | \$21,797,004 | \$22,755,120 | \$21,461,252 | \$20,802,753 | \$19,722,272 | \$19,812,794 |
| Net OPEB Liability as a Percentage of Covered Employee Payroll | 5.4% | 5.3% | 5.0% | 4.3% | 4.5% | 4.6% | 4.4% |

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available.

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2023 (unaudited)

Schedule of Employer (ER) Contributions

| Measurement date | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Fiscal Year | 12/31/2023 | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 |
| CONTRIBUTIONS | | | | | | |
| ER contributions | \$72,238 | \$74,549 | \$62,135 | \$83,079 | \$44,748 | \$44,748 |
| ER contributions received by the plan | \$72,238 | \$74,549 | \$62,135 | \$83,079 | \$44,748 | \$44,748 |
| Contribution deficiency/(excess) | | | | | - | - |
| RATIOS | | | | | | |
| Fiduciary net position as a percentage of total OPEB liability | 0% | 0% | 0% | 0% | 0% | 0% |
| Covered employee payroll | \$20,845,706 | \$21,797,004 | \$22,755,120 | \$21,461,252 | \$20,802,753 | \$19,722,272 |
| Net OPEB liability as a percentage of covered employee payroll | 5.4% | 5.3% | 5.0% | 4.3% | 4.5% | 4.6% |
| ADC ASSUMPTIONS | | | | | | |
| Long-term rate of return on assets | N/A | N/A | N/A | N/A | N/A | N/A |
| Interest rate | 4.38% | 3.09% | 3.09% | 3.97% | 3.97% | 4.09% |
| Salary increase assumption | N/A | N/A | N/A | N/A | N/A | N/A |
| COLA increase assumption | N/A | N/A | N/A | N/A | N/A | N/A |
| Retirement age assumption | Rates | Rates | Rates | Rates | Rates | Rates |
| Plan changes | None | None | None | None | None | None |

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available.

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2023 (unaudited)

METHODS AND ASSUMPTIONS USED TO DETERMINE OPEB LIABILITY:

| | |
|---------------------------|---|
| Actuarial cost method | Entry Age Normal Method |
| Discount rate | 4.38% |
| Mortality rate | Pri-2012 Total dataset base rate mortality table projected generationally using the Principal Mortality Improvement Scale (Principal 2022). |
| Retirement rates | Ages 62-64 – 25%; Age 65 – 100% |
| Marriage | 75% married; male is 3 years older than the female |
| Healthcare cost increases | 2023 – 1.36%; 2024 – 7.5%; 2025 – 7.0%; 2026 6.5%; 2027 6.00% decreasing by 0.25% per year through 2033; 2033+ 4.50%/year |
| Participation rate | 75% of future retirees |

S U P P L E M E N T A R Y I N F O R M A T I O N



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Trustees
Muscatine Power and Water
Muscatine, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Muscatine Power and Water (Utility), a component unit of the City of Muscatine, Iowa, as of and for the year ended December 31, 2023, and related notes to the financial statements, and have issued our report thereon dated April 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2023, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility and are reported in Part III of the accompanying schedule of findings and responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Utility's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Utility's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Utility's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
April 22, 2024

Part I: Findings Related to the Financial Statements:

There were no findings to report.

Part II: Findings and Questioned Costs for Federal Awards:

Single audit did not apply for fiscal year 2023.

Part III: Other Findings Related to Required Statutory Reporting:

- 2023-IA-A **Adopted Budget** – No instances of noncompliance with the preparation and adoption of the Utility’s budget were noted.
- 2023-IA-B **Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2023-IA-C **Travel Expense** – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
- 2023-IA-D **Business Transactions** – No business transactions between the Utility and Utility officials or employees were noted.
- 2023-IA-E **Bond Coverage** – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2023-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2023-IA-G **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility’s investment policy were noted.
- 2023-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
- 2023-IA-I **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2023-IA-J **Restricted Donor Activity** – No transactions were noted between the Utility and Utility Officials, Utility employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

Part III: Other Findings Related to Required Statutory Reporting (continued):

2023-IA-K **Mileage Reimbursement** – The Utility has adopted a tiered employee mileage-reimbursement rates with the top rate being the IRS mileage rate. Lower rates are paid in different circumstances. During our audit, we noted one instance in which the Utility paid a mileage reimbursement for an incorrect amount due to a reimbursement form formula error. The formula error resulted in an over payment of \$24.

Recommendation – The Utility should review mileage reimbursement forms to ensure correct formulas are used.

Response – The Utility’s staff will double check reimbursements going forward to ensure there is not a formula error in the calculation. In addition, MPW is in the process of moving to new expense reporting software that will mitigate the risk of future mistakes of this nature.

OTHER INFORMATION

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage
December 31, 2023

| Insurer | Type of Coverage | Policy's Expiration Date | Amount of Coverage | |
|--|---|-----------------------------|--------------------|---------------------------------------|
| | | | Coverage | Retention |
| FM Global Insurance Company | All risks: | 4/1/2024 | | |
| | Named locations - maximum limit | | \$600,000,000 | Blanket |
| | Actual Cash Value Limits (Location 2) | | | \$1,000,000 Deductible per occurrence |
| | Generating Unit 9 | | \$150,000,000 | \$2,000,000 Location 2 |
| | Generating Unit 7, 8, & 8A | | \$5,000,000 | \$3,000,000 Unit 9 Steam-Turbine |
| | Service Interruption - Communications | | \$10,000,000 | |
| | Automatic coverage (90 days) | | \$100,000,000 | |
| | Civil or military authority | | | 30 days |
| | Claim preparation costs | | \$25,000 | |
| | Communicable disease response | | \$10,000 | |
| | Contingent time element | | \$25,000,000 | |
| | Cyber event - data restoration | | \$10,000 | |
| | Cyber event - data service provider property damage | | \$10,000 | |
| | Cyber event - physical loss or damage | | \$25,000,000 | |
| | Data restoration | | \$10,000,000 | |
| | Data service provider property damage | | \$5,000,000 | |
| | Earth movement | | \$100,000,000 | |
| | Expediting costs and extra expense | | \$10,000,000 | |
| | Fine arts | | \$100,000,000 | |
| | Flood | | \$100,000,000 | |
| | Ingress/egress (30 days) | | | 30 days |
| | Interruption by communicable disease (365 days) | | \$10,000 | |
| | Land and water cleanup | | \$50,000 | |
| Logistics Extra Cost | | | 180 days | |
| Miscellaneous property - at location | | \$25,000,000 | | |
| Miscellaneous property - not at location | | \$15,000,000 | | |
| Terrorism | | \$5,000,000 | | |
| Valuable papers and records | | \$100,000,000 | | |
| Fidelity and Deposit Company of Maryland | Crime and Fidelity Coverage | 4/1/2024 | \$500,000 | \$10,000 per occurrence |
| | Bonded Employees, Treasurers & Tax Collectors | | | |
| Zurich American Insurance Company | Employed Lawyer's Liability & Crime | 4/1/2024 | | |
| | Employed Lawyers Professional Liability Coverage | | \$1,000,000 | \$0 |
| | Named Insured Indemnity Coverage | | \$1,000,000 | \$10,000 |
| | Supplemental Payments Extensions -- E-Discovery | | \$10,000 | N/A |
| | Public Relations Expenses Extension | | \$0 | N/A |

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage (cont.)

December 31, 2023

| Insurer | Type of Coverage | Policy's Expiration Date | Amount of Coverage | |
|--------------------------------|--|-----------------------------|--|-------------------|
| | | | Coverage | Retention |
| AEGIS Insurance Services, Inc. | Excess liability: | 12/31/2023 | \$35,000,000 | each occurrence |
| | Automobile liability | | \$70,000,000 | general aggregate |
| | Product liability and completed operations | | | \$1,000,000 |
| | Failure to supply | | | |
| | Pollution liability | | | |
| | Medical malpractice | | | |
| | Emergency assistance agreements | | | |
| | Joint venture liability (pro rata ownership) | | | |
| | Employers liability | | | |
| | Standards board activity | | | |
| | Community service activity | | | |
| Wild fire liability | | | | |
| | Employment practices (12/31/98 retroactive date) | | \$500,000 SIR each claimant; \$1,000,000 SIR each occurrence | |

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage
December 31, 2023

| Insurer | Type of Coverage | Policy's Expiration Date | Amount of Coverage | |
|---|---|-----------------------------|--------------------|--|
| Federal Insurance Company Chubb Group of Insurance Companies | Fiduciary & employee benefit liability | 12/31/2023 | \$10,000,000 | \$250,000 |
| Travelers Casualty & Surety Company of America | Excess fiduciary & employee benefit liability | 12/31/2023 | \$10,000,000 | \$250,000 |
| AEGIS Insurance Services, Inc. | Excess workers' compensation | 12/31/2023 | \$35,000,000 | \$1,000,000 each accident SIR |
| Tokio Marine Houston Casualty Company | Cyber/network liability | 5/22/2024 | | |
| | Multimedia Liability Coverage | | \$5,000,000 | \$50,000 |
| | Security and Privacy Liability Coverage | | \$5,000,000 | \$50,000 |
| | Privacy Regulatory Defense and Penalties Coverage | | \$5,000,000 | \$50,000 |
| | PCI DSS Liability Coverage | | \$5,000,000 | \$50,000 |
| | Bodily Injury Liability Coverage | | \$250,000 | \$250,000 |
| | Property Damage Liability Coverage | | \$50,000 | \$50,000 |
| | TCPA Defense Coverage | | \$50,000 | \$50,000 |
| | Breach Event Costs Coverage | | \$5,000,000 | \$50,000 |
| | Post Breach Remediation Costs Coverage | | \$25,000 | \$25,000 |
| | System Failure Coverage | | \$5,000,000 | \$50,000 per claim greater than 8 hours |
| | Dependent System Failure Coverage | | \$5,000,000 | \$50,000 per claim greater than 12 hours |
| | Cyber Extortion Coverage | | \$5,000,000 | \$50,000 |
| | Financial Fraud Sublimit | | \$250,000 | \$50,000 |
| | Telecommunications and Utilities Fraud Sublimit | | \$250,000 | \$50,000 |
| | Your Phishing Fraud Loss Sublimit | | \$250,000 | \$50,000 |
| | Client Phishing Fraud Loss Sublimit | | \$100,000 | \$50,000 |
| | Bricking Loss Coverage | | \$5,000,000 | \$50,000 |
| | Property Damage Loss Coverage | | \$50,000 | \$50,000 |
| | Reward Expenses Coverage | | \$50,000 | \$50,000 |
| | Court Attendance Costs Coverage | | \$25,000 | None |
| | Additional Defense Costs Limit | | \$1,000,000 | N/A |