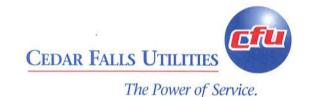
CON 12-1-1 Doc # 107074



June 15, 2023

Bill Blum
Project Planner
Land Quality Bureau
Iowa Department of Natural Resources
Wallace State Office Building
502 E. 9th Street
Des Moines, IA 50319-0034

Dear Bill:

Enclosed in this package are the documents required for the 2023 Financial Assurance filing for Cedar Falls Utilities' Leversee Road Ash Disposal Facility, Permit #07-SDP-11-89P. They are the Coal Combustion Residue Monofill Financial Assurance Form, a copy of the December 29, 2022 closure/post-closure cost estimate from Stanley Consultants, and a copy of the EideBailly Auditor's report for 2022.

Cedar Falls Utilities completed closure of the Leversee Road Ash Disposal Facility on June 7, 2017. The cash reserves in the fund will finance the required post-closure maintenance and monitoring for the next 5 years.

If you have any questions about the documents submitted, or need additional information, please contact me.

Sincerely,

Ed Olthoff

Environmental Coordinator Cedar Falls Utilities

319-268-5309

Ed Ottho

ed.olthoff@cfunet.net

RECEIVED

JUN 1 9 2023

2658 Crosspark Road > Suite 100 > Coralville, IA 52241 319.626.3990 > stanleyconsultants.com

December 29, 2022

Ed Olthoff
Environmental Coordinator
Cedar Falls Utilities
1 Utility Parkway
P.O. Box 769
Cedar Falls, Iowa 50613

RE: Post Closure Opinion of Costs for Annual Financial Assurance Review of the Leversee Road Ash Disposal Site, Permit # 07-SDP-11-89P

Dear Mr. Olthoff:

Stanley Consultants, Inc., is providing this opinion of costs for post closure care of the Cedar Falls Utilities (CFU) Leversee Road Ash Disposal Site. These estimates have been prepared as required in the Iowa Administrative Code (IAC) 567 103.3, the rules for coal combustion residue sanitary landfill financial assurance. The opinion of probable costs for long term post closure care of the facility are summarized in the attached table. The post closure care cost estimate is an annual value, based on current dollars.

Construction of the closure cover for the site was completed in 2017. Therefore, an opinion of the closure costs is not included in this letter. The facility does not have a leachate control system and the monitoring systems for the facility are in place and currently adequate. The site is fenced and is served by a gravel surfaced road. There are no buildings or significant drainage control structures at the site.

I hereby certify that this report was prepared by me or under my direct personal supervision and that I am a duly licensed professional engineer in the State of Iowa. Please contact me if you have any questions or require additional information. I can be reached at (319) 259-6604 or byramscott@stanleygroup.com.

Sincerely,

Stanley Consultants, Inc.

H. Scott Byram, P.E.

Principal Environmental Engineer

License Number: 10454

License Renewal Date: 12/31/2023

Attachments: Attachment 1

RECEIVED

JUN 1 9 2023



Cedar Falls Utilities Leversee Road CCR Facility Permit # 07-SDP-11-89P-CCR

Attachment 1 Post Closure Cost Estimate - 2022

Activity	Estimated Cost
1 0	04.700
General site facilities, access roads, and fencing maintenance	\$1,700
Cap and vegetative cover maintenance	\$2,500
Drainage and erosion control systems maintenance	\$2,300
Groundwater to waste separation systems maintenance	\$0
Groundwater and surface water monitoring systems maintenance	\$1,500
Groundwater and surface water quality monitoring and reports	\$8,000
7. Groundwater monitoring systems performance evaluations and reports	\$2,000
Leachate control systems maintenance	\$0
Leachate management, transportation, and disposal	\$0
10. Leachate control systems performance evaluations and reports	\$0
11. Facility inspections and reports	\$2,500
12. Engineering and technical services	\$2,500
13. Legal, financial, and administrative services	\$2,500
14. Financial assurance, accounting, audits, and reports	\$2,000
Total =	\$27,500



Coal Combustion Residue Monofill **Financial Assurance Report Form**

SECTION 1: FACILITY INFORMATION

(please print or type)

Information Requested

Facility Name: Leversee Road Ash Disposal Facility

Permit Number:

07-SDP-11-89P-CCR

Permitted Agency/Entity:

Cedar Falls Utilities

Section 2: Closure/Postclosure or Corrective Action Cost Estimates

Information Requested	Cost Estimate	Date of Cost Estimate
Updated Closure Cost Estimate	\$0	i i
Updated Postclosure Cost Estimate	\$ 137,500	12/29/2022
Initial or Updated Corrective Action Cost Estimate	\$0	

^{*}Attach closure/postclosure cost estimate(s) signed and certified by an Iowa-licensed professional engineer. Cost estimates shall include, at a minimum, each of the cost line items defined in 103.3(3)"c" for closure and 103.3(4)"c" for postclosure. Please provide closure and/or postclosure site area acreage information with the estimates.

Provide a cost estimate for corrective action only if corrective action is required and a corrective action plan has been approved by the Department. Attach the corrective action cost estimate signed and certified by an Iowa-licensed professional engineer. The cost estimate shall account for total costs of the activities described in the approved corrective action plan for the corrective action period.

Section 3: Facility Waste Tonnage Information

Information Requested	Tons
Remaining permitted capacity as of the beginning of permit holder's current fiscal year	CLOSED
Amount of waste disposed of at the facility during the prior year	0

Section 4: Proof of Compliance

Publicly Owned Coal Combustion Residue Monofills

(ATTACH AUDIT REPORT)

Owner's Most Recent Annual Audit Report

Prepared by: EideBailly

For fiscal year ending:

12/31/2022

Privately Owned Coal Combustion Residue Monofills

(ATTACH AFFIDAVIT)

Attach owner/operator's affidavit indicating that an annual review has been performed by a certified public accountant to determine whether the privately owned monofill is in compliance with IAC 567 Chapter 103. The affidavit shall state the name of the certified public accountant, the dates and conclusions of the review, and the steps taken to rectify any deficiencies identified by the accountant.

SECTION 5: FINANCIAL ASSURANCE INSTRUMENT

Type and Value of Financial Assurance Instrument(s)

(ATTACH INSTRUMENT(S))

Assurance Instrument	Establishment Date	Mechanism Covers	Instrument Value*
Tweet Cond		Closure 🗌	
Trust Fund 567 IAC 103.3(6)"a"		Postclosure 🗌	\$
		Corrective Action 🗌	
Compter Down		Closure 🗌	
Surety Bond 567 IAC 103.3(6)"b"		Postclosure	\$
	ė.	Corrective Action	
Latter of Coadin		Closure	
Letter of Credit 567 IAC 103.3(6)"c"		Postclosure 🗌	\$
337 1710 23313(0) 0		Corrective Action	
		Closure 🗌	
Insurance 567 IAC 103.3(6)"d"		Postclosure 🗌	\$
307 17(0,103.3(0) G		Corrective Action 🗌	
		Closure	
Corporate Financial Test 567 IAC 103.3(6)"e"		Postclosure 🗌	\$
		Corrective Action 🗌	
		Closure 🗌	
Local Gov't. Financial Test 567 IAC 103.3(6)"f"		Postclosure 🗌	\$
307 IAC 103.3(0) 1	·	Corrective Action 🗌	
		Closure 🗌	
Corporate Guarantee 567 IAC 103.3(6)"g"		Postclosure	\$
307 IAC 103.3(0) g		Corrective Action 🗌	
		Closure	
Local Gov't Guarantee 567 IAC 103.3(6)"h"		Postclosure 🗌	\$
307 IAC 103.3(0) 11		Corrective Action 🗌	
		Closure	
Local Gov't. Dedicated Fund 567 IAC 103.3(6)"i"	1/1/1996	Postclosure 🔀	\$ 145,300
307 IAC 103.3(0) 1		Corrective Action	

SECTION 6: FUND PAYMENTS

(only if using dedicated or trust fund)

Completion of the following fund information complies with the annual financial statement requirements of IAC 567 103.3(3)"a" and 103.3(4)"a" by indicating the current balance(s) of the dedicated/trust fund and the projected amount(s) to be deposited in the fund(s).

Under "Beginning Balance", please state the fund balance 30 days after the start of the previous fiscal year, for "Ending Balance", indicate the fund balance 30 days after the close of the previous fiscal year, and for "Projected Deposit", indicate the amount to be deposited within 30 days of the close of the permit holder's fiscal year.

Information Requested	Beginning Balance	Ending Balance	Projected Deposit
Dedicated Fund Balance (see formula below)	\$ 142,500	\$ 145,300	\$0
Trust Fund Balance (see formula below)	\$	\$	\$

Formula for Projected Deposits

Dedicated/Trust Fund

CE-CB Y

Where "CE" is the closure or postclosure cost estimate, "CB" is the balance 30 days after close of the previous fiscal year, and "Y" is number of years remaining in the pay-in period.

If needed, the space below can be used to show calculations for projected deposits

SECTION 7: PERMIT HOLDER ENDORSEMENT

Submittal of this completed and endorsed form along with all required documentation establishes Notification and Proof of Permit Holder Compliance with IAC 567 Chapter 103.

Name of Official: Bill Skubal	Title: Director of Operations
Agency/Entity: Cedar Falls Utilities	
Address: 1 Utility Parkway PO Box 769	
City: Cedar Falls	State: lowa Zip: 50613
Telephone: _319-268-5384	Fax: _319-277-8158
Email Address:bill.skubal@cfunet.net	
Signature of Official: Bell Spulsel	Date: 6-15-23

Questions? Contact Bill Blum at (515) 240-6048 or Bill.Blum@dnr.iowa.gov



Cedar Falls Utilities

Financial Statements of the Municipal Electric, Gas, Water, and Communications Utilities of the City of Cedar Falls, Iowa

Including Independent Auditors' Reports

For The Years Ended December 31, 2022 and 2021



Cedar Falls Utilities

Financial Statements of the Municipal Electric Utility of the City of Cedar Falls, Iowa

Including Independent Auditors' Reports

For The Years Ended December 31, 2022 and 2021

RECEIVED

JUN 1 9 2023

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (Component Unit of the City of Cedar Falls, Iowa)

Table of Contents

Independent Auditors' Report	
Management Discussion and Analysis	1
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
Schedule of the Utility's Proportionate Share of the Net Pension Liability – Iowa Public Employee's Retirement System	38
Schedule of the Utility's Contributions – Iowa Public Employee's Retirement System	39
Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes	41
Independent Auditors' 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	42
Schedule of Findings Related to Government Auditing Standards and Required Statutory Report	44





Independent Auditor's Report

To the Board of Trustees
Cedar Falls Utilities, Municipal Electric Utility

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Electric Utility of the City of Cedar Falls, Iowa (Municipal Electric Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Municipal Electric 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 Municipal Electric Utility, as of December 31, 2022, and 2021, the respective changes in financial position, and 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 Municipal Electric 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the Municipal Electric Utility has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2022. Accordingly, a restatement has been made to the Municipal Electric Utility's net position as of January 1, 2021, to restate beginning net position. 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 Municipal Electric 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 the Municipal Electric 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 the Municipal Electric 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, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of the Municipal Electric 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 Municipal Electric 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 Municipal Electric Utility's internal control over financial reporting and compliance.

Sac Bailly LLP

Dubuque, Iowa
May 25, 2023

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

The following financial analysis and condensed statements of the Municipal Electric Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2022 and 2021. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

Management's discussion and analysis (MDA) serves as an introduction to the financial statements, and the MDA represents management's examination and analysis of the Utility's financial condition and performance. The financial statements report information about the Utility using full accrual accounting methods as utilized by similar entities in the private sector.

The statements of net position include the Utility's assets and deferred outflows of resources, liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and flexibility of the Utility.

The statements of revenues, expenses and changes in net position present the results of the Utility's activities (revenues and expenses) over the course of the fiscal year and can provide information about the Utility's recovery of its costs. Retail rates are established by the Board of Trustees and based on operating costs, debt service requirements, and anticipated capital needs. A fundamental objective of this rate model is to provide adequate revenue to cover all costs.

The statements of cash flows present cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities and investing activities. This statement provides answers to such questions as: where the cash came from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements. Please see the notes to the financial statements for more information.

The Utility adopted GASB 87 effective January 1, 2022. Statement No. 87, *Leases* establishes a single model for lease accounting based on the principle that leases are financings or the right to use another entity's nonfinancial asset. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Beginning fiscal year 2021, net position was retroactively restated to include lease assets, liabilities, and deferred inflows of resources. The effect of implementation on net position is detailed in Note 15.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Utility Financial Analysis

Condensed Statement of Net Position

		2022	2021 (Restated)	2022 Change	(N	2020 ot Restated)	2021 Change
Net Capital Assets	\$	162,276,452	\$ 166,541,096	(4,264,644)	\$	167,024,657	(483,561)
Noncurrent Assets		9,703,421	10,190,602	(487,181)		10,690,287	(499,685)
Current Assets		66,714,684	59,342,483	7,372,201		54,858,271	4,484,212
Deferred Outflows of Resources	_	1,088,569	1,179,631	(91,062)	_	1,596,916	(417,285)
Total Assets and Deferred Outflows of Resources	\$	239,783,126	\$ 237,253,812	2,529,314	\$	234,170,131	3,083,681
Current Liabilities		10,763,810	11,363,701	(599,891)		9,511,948	1,851,753
Noncurrent Liabilities		14,417,859	16,645,892	(2,228,033)		25,948,062	(9,302,170)
Deferred Inflows of Resources		10,224,269	14,821,588	(4,597,319)		10,842,300	3,979,288
Total Liabilities and Deferred Inflows of Resources		35,405,938	42,831,181	(7,425,243)		46,302,310	(3,471,129)
Net Position							
Net Investment In Capital Assets		152,513,313	153,582,402	(1,069,089)		151,076,957	2,505,445
Restricted		5,233,159	5,077,489	155,670		5,218,558	(141,069)
Unrestricted		46,630,716	35,762,740	10,867,976		31,572,306	4,190,434
Total Net Position	=	204,377,188	194,422,631	9,954,557		187,867,821	6,554,810
Total Liabilities, Deferred Inflows and Net Position	\$	239,783,126	\$ 237,253,812	2,529,314	\$	234,170,131	3,083,681

2022 compared to 2021, significant changes include:

- Net Capital Assets: Primarily decreased due to continued depreciation of capital assets in service. See Note 4 -Capital Assets.
- Noncurrent Assets: Primarily decreased due to Tax Increment Financing (TIF) funds received from the City of Cedar Falls. See Note 10 - Related Party Transactions.
- Current Assets: Total cash and investments increased \$5.4 million primarily due to increased sales and a significant increase in revenue from Sales for Resale related to the jointly owned coal-fired plants (Western Units) in 2022 of \$7.8 million. See Note 1 Organization and Basis of Accounting and Note 9 Jointly Owned Capital Assets.
- Noncurrent Liabilities (See Note 6 Long-Term Liabilities): The decrease is primarily due to:
 - A decrease in long-term debt of \$3.4 million as the Utility continues to make its Series 2015 capital loan note payments.
 - A decrease of \$2.1 million in other liabilities due to Western Units Asset Retirement Obligation (ARO).
 - An increase in IPERS net pension liability of \$3.4 million. See Note 7 Pension Plan IPERS.
- Deferred Inflows of Resources: Primarily decreased \$4.6 million due to changes related to IPERS net pension liability. See Note 7 - Pension Plan – IPERS.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021 compared to 2020, significant changes include:

- Current Assets: Primarily increased due to an increase of \$4.2 million in cash and investments mainly from higher revenues related to Sales for Resale.
- Current Liabilities: Primarily increased due to higher year end balances in accounts payable.
- Noncurrent Liabilities: the decrease is primarily due to:
 - A decrease in long-term debt of \$3.2 million as the Utility continues to make its Series 2015 capital loan note payments. See Note 6 – Long-Term Liabilities.
 - A decrease in Net Pension Liability of \$6.0 million. See Note 7 Pension Plan IPERS.
- Deferred Inflows of Resources: Primarily increased due to changes related to IPERS net pension liability impacting noncurrent liabilities and deferred inflows of resources. See Note 7 - Pension Plan – IPERS.

Alternative Statement of Revenues, Expenses and Changes in Net Position

		2022	(2021 Restated)	2022 Change	(N	2020 ot Restated)	2021 Change
Sales of Electricity				,,		(,	citange
Base Revenue	\$	27,453,300	\$	26,403,447	1,049,853	\$	26,599,123	(195,676)
Cost Recovery Revenue	7931	28,968,960	1770	21,796,142	7,172,818	- (1)	12,018,570	9,777,572
WURSA Giveback		(5,323,897)		(3,965,091)	(1,358,806)		(2,157,941)	(1,807,150)
Sales for Resale - ECA Reduction		6,669,191		2,335,594	4,333,597		698,460	1,637,134
Sales for Resale - Western Units		11,844,565		8,406,843	3,437,722		3,658,736	4,748,107
Total Sales of Electricity		69,612,119		54,976,935	14,635,184		40,816,948	14,159,987
Other		5,946,334		3,894,921	2,051,413		4,313,709	(418,788)
Total Operating Revenues		75,558,453		58,871,856	16,686,597	X	45,130,657	13,741,199
Fuel & Purchased Power								
Cost Recovery Expenses		35,441,962		24,012,700	11,429,262		12,679,262	11,333,438
Non-Cost Recovery Expenses		1,681,438		1,353,661	327,777		1,248,883	104,778
Total Fuel & Purchased Power		37,123,400		25,366,361	11,757,039		13,928,145	11,438,216
Other, Transmission & Distribution		11,226,227		10,691,342	534,885		9,972,785	718,557
Depreciation & Amortization		8,885,453		8,167,046	718,407		8,018,471	148,575
Services & Administrative		9,692,253		9,306,429	385,824		10,441,269	(1,134,840)
Total Operating Expenses	_	66,927,333		53,531,178	13,396,155	_	42,360,670	11,170,508
Total Non-Operating Revenues (Expenses)		1,323,437		1,214,132	109,305		815,927	398,205
Change in Net Position		9,954,557		6,554,810	3,399,747		3,585,914	2,968,896
Net Position, Beginning of Year, as Restated		194,422,631		187,867,821	6,554,810		184,281,907	3,585,914
Net Position, End of Year	\$	204,377,188	\$	194,422,631	9,954,557	\$	187,867,821	6,554,810

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Significant changes include:

Since 2020 there has been significant increases in cost of purchased power. Much of this can be attributed to increases in the price of natural gas and is discussed in more detail in the Management's Discussion and Analysis section of Cedar Falls Utilities Municipal Gas Utility report.

Fuel and purchased power expenses not included in the base rate structure are recovered from most customers via the monthly Energy Cost Adjustment (ECA). As these costs are directly passed on to customers there is a corresponding increase in operating revenue for these expenses.

Comparison of Cost Recovery Revenue and Expenses

	2022	2021	2020
Cost Recovery Expenses	\$ 35,441,962	\$ 24,012,700	\$ 12,679,262
Sales for Resale - ECA Reduction	(6,669,191)	(2,335,594)	(698,460)
Net Costs to Recover	 28,772,771	 21,677,106	 11,980,802
Revenue from Cost Recovery	28,968,960	21,796,142	12,018,570
Variance	\$ 196,189	\$ 119,036	\$ 37,768

2022 compared to 2021, significant non-cost recovery changes include:

- ❖ Base Revenue: Primarily increased due to higher kWh sales.
- Western Unit Revenue Sharing Adjustment (WURSA Giveback): Increased due to higher Sales for Resale from the Western Units. See Note 1 - Summary of Significant Accounting Policies - Organization and Basis of Accounting for more information.
- Sales for Resale Western Units: Primarily increased due to prices in electric markets.
- Other Operating Revenue: Primarily increased due to an increase in revenue related transmission assets.
- Depreciation & Amortization: Primarily increased due an accounting change implemented by the Utility in 2022.

2021 compared to 2020, significant non-cost recovery changes include:

- ❖ Western Unit Revenue Sharing Adjustment (WURSA Giveback): Increased due to higher Sales for Resale from the Western Units. See Note 1 Summary of Significant Accounting Policies Organization and Basis of Accounting for more information.
- Sales for Resale Western Units: Primarily increased due to prices in electric markets.
- Services & Administrative: Primarily decreased due to negative expenses related to pension adjustments. See Note 7 - Pension Plan - IPERS for more information.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Condensed Statement of Cash Flows

		2022	2021 2022 Change 2020		2022 2021 20				2020	2021 Change
Cash Flows from										
Operating Activities	\$	15,152,247	\$	13,278,139	1,874,108	\$	9,869,969	3,408,170		
Noncapital Financing Activities		(492)		(233)	(259)		(2,779)	2,546		
Capital and Related Financing Activities		(10,209,614)		(9,135,738)	(1,073,876)		(9,297,621)	161,883		
Investing Activities	_	(15,362,051)		10,004,353	(25,366,404)		1,368,041	8,636,312		
Net Change in Cash and Cash Equivalents		(10,419,910)		14,146,521	(24,566,431)		1,937,610	12,208,911		
Cash and Cash Equivalents - Beginning of Year		44,944,571		30,798,050	14,146,521		28,860,440	1,937,610		
Cash and Cash Equivalents - End of Year	\$	34,524,661	\$	44,944,571	(10,419,910)	\$	30,798,050	14,146,521		

2022 compared to 2021, significant changes include:

- Operating Activities: Cash inflows increased primarily due to a significant increase in revenue from Sales for Resale.
- Capital and Related Financing Activities: Cash outflows increased primarily due to various capital projects. See the Utility Capital Assets Activity section of the Management Discussion and Analysis.
- Investing Activities: In 2021, due to multiple factors including low interest rates and banks not seeking public funds, the Utility held less in investments and more funds in money markets throughout the year. In 2022 interest rates significantly increased and the Utility returned to investing funds. See Note 3 Cash and Investments.

2021 compared to 2020, significant changes include:

- Operating Activities: Cash inflows increased primarily due to a significant increase in revenue from Sales for Resale.
- Investing Activities: Cash inflows increased primarily due to investments maturities that were not reinvested. Due to multiple factors including low interest rates and banks not seeking public funds in 2021, the Utility held less in investments and more in money markets throughout the year. See Note 3 - Cash and Investments.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Utility Capital Assets Activity

At December 31, 2022, the Utility had \$162.3 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2022 included installation of distribution lines, services, meters, transformers, western unit generation and transmission asset improvements, distribution substation upgrades, boiler plant replacements, fleet replacements, and security and monitoring upgrades.

At December 31, 2021, the Utility had \$166.5 million, as restated, in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2021 included installation of distribution lines, services, meters, transformers, western unit generation and transmission asset improvements, distribution substation upgrades, boiler plant replacements, fleet replacements and security upgrades.

These amounts include jointly owned assets from: Walter Scott Energy Center-Unit 4; Walter Scott Energy Center-Unit 3 and George Neal Generating Station-Unit 4. See Note 1 (Organization and Basis of Accounting) and Note 9 of the financial statements for more information regarding jointly owned capital assets.

Utility Debt Activity

At the end of 2022, the Series 2015 Refunding Capital Loan Notes had an outstanding principal balance of \$8.9 million. The outstanding balance at year ending 2021 was \$11.8 million. These notes were an advance refunding of outstanding Series 2005 and Series 2007 Revenue Bonds. This series will mature in 2026.

Additional information about the Utility's debt is presented in Note 6 to the financial statements.

Utility Changes to Future Financial Statements

Effective January 1, 2023, the Board of Trustees approved a 3.0% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$777,000.

This Page Intentionally Left Blank

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Statements of Net Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)			
Assets					
Capital assets: (note 4)					
Capital assets, in service	\$ 278,945,430	\$	276,957,524		
Less accumulated depreciation & amortization	 118,919,122		112,979,359		
Net capital assets in service	160,026,308		163,978,165		
Construction work in progress	 2,250,144		2,562,931		
Net capital assets	 162,276,452		166,541,096		
Noncurrent assets:					
Other (note 10)	9,518,311		10,017,358		
Lease receivable (note 5)	75,653		63,787		
Prepayments and other	109,457		109,457		
Total noncurrent assets	 9,703,421		10,190,602		
Current assets:					
Cash and cash equivalents - unrestricted (note 3)	33,002,846		39,669,613		
Cash and cash equivalents - restricted (note 2 and 3)	1,521,815		5,274,958		
Investments - unrestricted (note 3)	14,950,066		2,990,000		
Investments - restricted (note 2 and 3)	3,981,251		110,000		
Receivables:					
Customer accounts, less allowance for doubtful					
accounts of \$39,400 in 2022 and \$37,700 in 2021	6,064,920		5,035,757		
Trade	1,461,135		748,384		
Lease receivable (note 5)	42,084		10,184		
Interest	50,792		6,633		
Inventories:					
Fuel	2,457,690		3,189,152		
Material and supplies	2,558,887		1,895,218		
Prepayments and other	 623,198		412,584		
Total current assets	 66,714,684		59,342,483		
Total assets	238,694,557		236,074,181		
Deferred outflows of resources					
Pension related deferred outflows (note 7)	647,326		698,680		
OPEB related deferred outflows (note 12)	266,982		256,901		
Unamortized loss on reacquired debt	174,261		224,050		
Total deferred outflows of resources	1,088,569		1,179,631		
Total assets and deferred outflows of resources	\$ 239,783,126	\$	237,253,812		

See accompanying notes to financial statements.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Statements of Net Position

December 31, 2022 and 2021

	<u>2022</u>	2021 (Restated)
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,557,305	\$ 4,166,214
Reserve for surplus declaration (note 10)	2,543,741	2,700,000
Current installments of long-term debt (note 6)	3,045,000	2,895,000
Accrued wages and vacations	954,701	998,320
Accrued interest	28,774	39,791
Lease related (note 6)	11,091	11,091
Other accrued expenses	 623,198	 553,285
Total current liabilities	 10,763,810	 11,363,701
Noncurrent liabilities: (note 6)		
Customer advances for construction	150,300	280,500
Long-term debt, less current installments	6,858,853	10,243,106
Lease related (note 6)	22,457	33,548
Net pension liability (note 7)	3,538,723	126,192
Other liabilities	 3,847,526	5,962,546
Total noncurrent liabilities	 14,417,859	16,645,892
Total liabilities	 25,181,669	 28,009,593
Deferred inflows of resources		
Lease related	133,638	75,425
OPEB related (note 12)	45,258	29,549
Pension related (note 7)	527,062	4,699,256
TIF related (note 10)	 9,518,311	10,017,358
Total deferred inflows of resources	10,224,269	 14,821,588
Total liabilities and deferred inflows of resources	35,405,938	42,831,181
Net Position		
Net investment in capital assets	152,513,313	153,582,402
Restricted	5,233,159	5,077,489
Unrestricted	 46,630,716	 35,762,740
Total net position	 204,377,188	 194,422,631
Total liabilities, deferred inflows of resources and net position	\$ 239,783,126	\$ 237,253,812

See accompanying notes to financial statements.

This Page Intentionally Left Blank

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa)

Statements of Revenue, Expenses and Changes in Net Position December 31, 2022 and 2021

		2022	2021 (Restated)
Operating revenues:			
Sales of electricity:			
Residential	\$	20,765,797	\$ 19,055,580
Large industrial & commercial		5,576,601	3,013,916
Small industrial & commercial		20,007,838	18,087,067
Governmental (note 10)		4,471,437	3,821,574
Interdepartmental		276,690	256,361
Sales for resale	***************************************	18,513,756	10,742,437
Total sales of electricity		69,612,119	54,976,935
Other operating revenues	4	5,946,334	 3,894,921
Total operating revenues		75,558,453	58,871,856
Operating expenses:			
Production and generation:			
Purchased power		31,444,872	19,461,898
Fuel		5,678,528	5,904,463
Other		4,787,260	4,458,168
Transmission		4,379,468	4,245,530
Distribution		2,059,499	1,987,644
Administrative and general (note 10)		7,309,172	6,880,340
Customer service and informational expenses		636,748	780,380
Customer accounts		751,284	695,476
Sales		64,131	65,971
Depreciation and amortization		8,885,453	8,167,046
Taxes other than income taxes		854,956	797,008
Other		75,962	87,254
Total operating expenses		66,927,333	 53,531,178
Operating income		8,631,120	5,340,678
Non-operating revenues (expenses):			
AFUDC (note 1)		42,698	63,028
Contributed capital (note 10)		906,616	1,330,761
Interest expense on long-term debt		(154,098)	(308,481)
Interest income (expense) on security deposits		(1,538)	19,129
Interest income		486,446	57,969
Miscellaneous revenue, net		16,334	51,726
Net increase in the fair value of investments		26,979	-
Total nonoperating revenues (expenses)		1,323,437	 1,214,132
Change in net position		9,954,557	6,554,810
Net position, beginning of year, as restated (note 15)		194,422,631	 187,867,821
Net position, end of year	\$	204,377,188	\$ 194,422,631

See accompanying notes to financial statements.

(A Component Unit of the City of Cedar Falls, Iowa) Statements of Cash Flows December 31, 2022 and 2021

Cash flows from operating activities:		2022	2021
Cash received from customers Intergovernmental grants Cash paid to suppliers Cash paid to employees Payment in lieu of taxes to the City of Cedar Falls Property tax paid	\$	74,795,381 - (51,803,660) (4,789,565) (2,700,000) (349,909)	\$ 58,135,654 11,427 (37,266,495) (4,606,752) (2,637,314) (358,381)
Net cash provided by operating activities		15,152,247	 13,278,139
Cash flows from noncapital financing activities:			
Interest paid on customer deposits	-	(492)	 (233)
Net cash used in noncapital financing activities		(492)	 (233)
Cash flows from capital and related financing activities:			
Principal payments on long-term debt Interest paid Proceeds from customer advances for construction Refunds of customer advances for construction Acquisition, construction and removal cost of capital assets Proceeds from sale of capital assets Reimbursement of utility construction costs		(2,895,000) (455,625) - (130,200) (7,655,134) 19,729 906,616	(2,760,000) (593,625) 69,700 (147,700) (7,089,175) 54,301 1,330,761
Net cash used in capital and related financing activities		(10,209,614)	 (9,135,738)
Cash flows from investing activities:			
Proceeds from maturities of investment securities Purchase of investment securities Interest received		3,100,000 (18,904,338) 442,287	13,024,000 (3,100,000) 80,353
Net cash provided by / (used in) investing activities		(15,362,051)	 10,004,353
Net increase / (decrease) in cash and cash equivalents		(10,419,910)	14,146,521
Cash and cash equivalents, beginning of year		44,944,571	 30,798,050
Cash and cash equivalents, end of year (note 1)	\$	34,524,661	\$ 44,944,571

See accompanying notes to financial statements.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Statements of Cash Flows

December 31, 2022 and 2021

	2022		<u>2021</u> (Restated)
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 8,631,120	\$	5,340,678
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization of capital assets	8,885,453		8,167,046
Other income (expense), net	16,334		51,725
(Increase) decrease in accounts receivable	(1,741,914)		(895,989)
(Increase) decrease in lease receivable	14,447		(6,433)
(Increase) decrease in intergovernmental grants	-		11,427
(Increase) decrease in inventories	280,121		636,106
(Increase) decrease in prepayments and other	(210,614)		(17,625)
Increase (decrease) in accounts payable	212,593		960,613
Increase (decrease) in reserve for surplus declaration	(156,259)		62,686
Increase (decrease) in accrued wages and vacation	(43,619)		94,858
Increase (decrease) in other accrued expenses	(481,195)		(845,937)
Increase (decrease) in other liabilities	 (254,220)		(281,016)
Net cash provided by operating activities	\$ 15,152,247		13,278,139
Schedule of noncash investing, capital and financing activities: AFUDC	42,698		63,028
Reconciliation of cash and cash equivalents to statement of net position accounts:			
Cash and cash equivalents - unrestricted Cash - restricted	 33,002,846 1,521,815		39,669,613 5,274,958
Cash and cash equivalents	 34,524,661	\$_	44,944,571

 ${\it See accompanying notes to financial statements.}$

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

The Municipal Electric Utility (Utility) of the City of Cedar Falls, Iowa is a separate and distinct city utility and is chartered under Iowa Code Section 388. The Utility is a component unit of the City of Cedar Falls, Iowa. The Utility's rates are set by its governing board. The Utility follows the accounting practices prescribed through the Federal Energy Regulatory Commission for regulated utilities and proprietary fund accounting for governmental entities under accounting principles generally accepted in the United States of America.

The Utility, as a regulated utility, follows the Code of Federal Regulations Title 18-Conservation of Power and Water Resources, Chapter I-Federal Energy Regulatory Commission, Department of Energy.

The Utility's present capacity consists of one wholly owned natural gas and coal-fired plant with two units and three jointly owned coal-fired plants, Walter Scott Energy Center Unit 3, Walter Scott Energy Center Unit 4, and George Neal Generating Station Unit 4 (Western Units) and one gas and coal-fired plant assigned by contract for a combined generating capacity of 111.9 megawatts. The Utility also owns two combustion turbines with a generating capacity of 43.4 megawatts. The Utility also has contractual rights for the purchase of 1.5 megawatts of solar energy and had contractual rights to 6 megawatts of wind energy, which expired at the end of 2022. The Utility owns a total of 162.8 megawatts of generating capacity for 2022.

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 1.90% in 2022 and 1.71% 2021. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated service lives and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: land improvements 45 years to 75 years; infrastructure 20 to 75 years; buildings and improvements 45 to 110 years; and equipment 6 to 55 years. The depreciation provisions were equivalent to an overall composite rate of 3.2% of depreciable assets for 2022 and 3.1% for 2021.

Capital assets may be contributed to the Utility by outside parties. As these assets are completed and placed in service, the utility reports the acquisition value of contributed capital on the date received in the statement of revenue, expenses, and changes in net position.

Replacements and betterments of capital assets are charged to capital assets. Routine maintenance and repairs are charged to expense as incurred. At the time capital assets are retired, the original cost of the asset plus cost of removal less salvage are charged to accumulated depreciation.

<u>Leases</u>

<u>Utility as Lessee</u>: The Utility is a lessee for several noncancellable lease agreements. The Utility has recognized a lease liability and an intangible right-to-use asset in the Utility's financial statements.

At the commencement of a lease, the Utility initially measures the lease liability as the value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease of the lease term or the useful life of the underlying asset starting at the commencement of the lease.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Leases, continued

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

<u>Utility as Lessor</u>: The Utility is a lessor for several noncancellable lease agreements. The Utility has recognized a lease receivable and a deferred inflow of resources in the Utility's financial statements. At the commencement of a lease, the Utility initially measures the lease receivable at the value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the lease term.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Cash and Investments

Investments are stated at their fair value except for the investment in the Iowa Public Agency Investment Trust (IPAIT) and non-negotiable certificates of deposits which are valued at amortized cost.

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) on December 31, 2022 and 2021 were \$879,634 and \$1,013,956, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are recorded at the invoiced amount and are reported net of allowances.

Inventories

Coal and oil inventories are valued at average cost. Materials and supplies are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are consumed.

Prepayments

Prepayments are recorded at the beginning of an agreement for items that span a year or more and meet a minimum threshold. These items require payment at the beginning and are amortized over the life of the agreement. Current assets are amortized for one year from the beginning date. Noncurrent assets have a longer life and are amortized as needed per the terms of the agreement. The Utility incurs prepayments for things such as insurance coverages or licensing or maintenance of software and hardware. These agreements generally cover periods other than a calendar year and result in balances at year end.

<u>Deferred Outflows of Resources</u>

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, post-employment benefits (OPEB) expense, and contributions from the employer after the measurement date but before the end of the employer's reporting period, as well as an unamortized loss on reacquired debt.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Total OPEB Liability

For purposes of measuring the total other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Utility's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of tax increment financing receivables that will not be recognized as revenue until the year for which they are levied, unrecognized items not yet charged to pension expense, unrecognized other postemployment benefits (OPEB) expenses, and deferred inflows related to leases.

Bond Premiums and Discounts

Debt premiums and discounts are amortized over the life of the bonds using the same percentage as the principal paid in each year to the total debt issued by series.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of government entities.

Unrestricted net position consists of net positions that do not meet the definition of "net investment in capital assets" or "restricted".

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2022 and 2021 was as follows:

	2022	2021
Restricted for/by		
Bond Ordinance	\$ 3,891,751	\$ 3,880,750
Health and Dental Insurance	1,341,408	1,196,739
Total restricted net position	\$ 5,233,159	\$ 5,077,489

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Operating Revenues and Expenses

Operating revenues include revenues resulting from the sale of electricity, service revenues and sales of capacity. Operating expenses include expenses for power production and purchases, transmission, distribution, depreciation, customer accounts, customer service and informational, sales, and administrative and general. Non-operating revenues and expenses include those derived from capital and related financing activities, non-capital financing activities and investing activities.

Revenues from the sale of electricity are based on billing rates, which are applied to customers' consumption of electricity. The Utility records estimated unbilled revenue, including amounts to be billed under a fuel adjustment clause, at the end of accounting periods. Revenues earned, but not yet billed at December 31, 2022 and 2021, were \$2,502,942 and \$1,861,085, respectively, and are recorded in customer accounts receivable. The Utility uses a fuel adjustment clause whereby increases or decreases in fuel costs and purchase power costs are billed to customers and included in operating revenue without changing base rates charged to its customers.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. During 2022, there was a budget amendment of \$15,019,189 primarily due to the increased purchased power expenses for the Electric Utility and increased natural gas expenses for the Gas Utility. During 2021, there were budget amendments of \$23,720,732 in September and \$1,035,575 in November primarily due to the record-breaking prices of natural gas in February 2021. This is discussed in more detail in the Management's Discussion and Analysis section of Cedar Falls Utilities Municipal Gas Utility report.

Grants

The Electric Utility has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Employee Benefits

Employee benefits for accumulated sick leave hours are not accrued as they are not payable to employees upon termination of service. Vacation hours are earned monthly and accruals are recorded as liabilities and unused vacation hours are paid upon termination of service. Accrued wages represents time employees worked during the calendar year, but are unpaid at December 31.

The Electric Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay only applies to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2022 and 2021, the accrued liability was \$677,756 and \$746,754, respectively.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Customer Advances

Customer Advances represent amounts paid to the utility by developers to extend service to new areas. As customers are added, advances will be refunded to the developers over the defined term of the agreement. Expired advances are recorded as other non-operating income in the year they expire.

Reclassifications

Reclassifications of prior year's amounts may have been made for comparability. These reclassifications had no impact on the change in net position or the total ending net position.

Implementation of GASB Statement No. 89

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89. Accounting for Interest Costs Incurred before the End of a Construction Period aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements.

Implementation of GASB Statement No. 87

2022

As of January 1, 2022, the Utility adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The impact to the Utility resulting in the reporting of lease receivables, right-to-use assets, lease liabilities, and deferred inflows of resources related to leases. The effect of the implementation of this standard on the beginning net position is disclosed in Note 15.

Cach

Investments

Total

(2) Restricted Assets

The composition of restricted assets as of December 31, 2022 and 2021 was as follows:

	Casn	Investments			Total
Current Assets - Restricted					
Bond and Interest	\$ 278,157	\$	-	\$	278,157
Bond Reserve	-		2,639,500		2,639,500
Improvement and Extension	-		1,000,000		1,000,000
Self Insured Dental	38,472		-		38,472
Self Insured Medical	1,059,886		341,751		1,401,637
Streeter Landfill	145,300		-		145,300
Total Current Assets - Restricted	1,521,815		3,981,251		5,503,066
Total Restricted Assets	\$ 1,521,815	\$ 3,981,251		\$	5,503,066
2021	Cash	In	vestments		Total
2021 Current Assets - Restricted	 Cash	In	vestments		Total
	\$ Cash 279,219	Inv	vestments -	\$	Total 279,219
Current Assets - Restricted	\$		vestments - -	\$	
Current Assets - Restricted Bond and Interest	\$ 279,219		vestments - - -	\$	279,219
Current Assets - Restricted Bond and Interest Bond Reserve	\$ 279,219 2,639,500		vestments	\$	279,219 2,639,500
Current Assets - Restricted Bond and Interest Bond Reserve Improvement and Extension	\$ 279,219 2,639,500 1,000,000		110,000	\$	279,219 2,639,500 1,000,000
Current Assets - Restricted Bond and Interest Bond Reserve Improvement and Extension Self Insured Dental	\$ 279,219 2,639,500 1,000,000 40,701		- - -	\$	279,219 2,639,500 1,000,000 40,701
Current Assets - Restricted Bond and Interest Bond Reserve Improvement and Extension Self Insured Dental Self Insured Medical	\$ 279,219 2,639,500 1,000,000 40,701 1,173,038		- - -	\$	279,219 2,639,500 1,000,000 40,701 1,283,038

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(2) Restricted Assets, continued

The monies deposited into the various funds have been invested in interest-bearing securities as required by the bond resolutions or legal requirement. Amounts deposited in the bond reserve, bond interest, construction, and improvement and extension funds may only be used for the purpose of paying principal and interest on the bonds when due or such other purposes as set forth in the bond resolutions and as a result are classified as restricted. Amounts deposited in the Streeter Landfill fund may only be used to cover costs related to the closure of the ash landfill. Amounts deposited in the Self-Insured Medical and Dental fund may only be used for medical and dental reserves and expenses.

(3) Cash and Investments

The Utility is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility uses the fair value hierarchy established by generally accepted accounting principles 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 Federal Agency Obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and other market assumptions (Level 2 inputs).

Interest Rate Risk

The Utility's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2022 or 2021. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2022 or 2021.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility's deposits are covered by federal depository insurance up to the insured limits or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Investments, continued

Custodial Credit Risk - Investments

For an investment, this 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 investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk regarding investments, since all investments were held by the Utility or its agent in the Utility's name.

Reconciliation to Financial Statements

A reconciliation of the Utility's total cash and investments to the statement of net position follows:

		2022		2021
Petty cash	-\$	345	\$	345
Checking & Sweep		24,671,340		27,297,821
Money markets		8,366,150		16,074,559
Carrying amount of IPAIT		879,634		1,013,956
Other cash equivalents		607,192		557,890
Certificates of deposits		7,689,500		3,100,000
Carrying amount of federal agency obligations		11,241,817		
Total	\$	53,455,978	\$	48,044,571
Current Assets	Φ.	22 222 246	ф	20.660.640
Cash and cash equivalents - unrestricted	\$	33,002,846	\$	39,669,613
Investments - unrestricted		14,950,066		2,990,000
Current assests unrestricted total		47,952,912		42,659,613
Cash and cash equivalents - restricted		1,521,815		5,274,958
Investments - restricted		3,981,251		110,000
Current assests restricted total		5,503,066		5,384,958
Total per statement of net position	_\$	53,455,978	\$	48,044,571

The Board of Trustees of the Municipal Electric Utility has made reserve fund designations for the unrestricted cash and investment balance as follows:

	 2022	 2021
Unrestricted Cash and Investments		
Board Designated		
Generation & Transmission Acquisition	\$ 10,879,007	\$ 8,104,821
Western Units Landfill	813,519	2,738,918
Payments in Lieu of Taxes	2,543,741	2,700,000
Security Deposits	365,025	374,857
Operating	 33,351,620	28,741,017
Total Unrestricted Cash and Investments	\$ 47,952,912	\$ 42,659,613

(A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements

December 31, 2022 and 2021

(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2022 and 2021 follows:

	R	estated,						
	Ве	eginning						Ending
2022	E	Balance]	Increases	1	Decreases		Balance
Capital assets, not being depreciated:								
Land	\$	1,878,208	\$	-	\$	-	\$	1,878,208
Construction work in progress		2,562,931		5,834,565		(6,147,352)		2,250,144
Total capital assets, not being depreciated		4,441,139		5,834,565		(6,147,352)		4,128,352
Capital assets, being depreciated/amortized:								
Land Rights		255,094		-		-		255,094
Infrastructure	20	9,567,977		4,853,979		(568,169)	:	213,853,787
Buildings and improvements	4	13,531,340		307,892		(2,032,325)		41,806,907
Equipment	2	21,673,334		985,481		(1,558,952)		21,099,863
Right-to-use leased assets		51,571		-		_		51,571
Total capital assets, being depreciated/amortized	27	75,079,316		6,147,352		(4,159,446)		277,067,222
Less accumulated depreciation/amortization	on for	:						
Land Rights		(20,407)		(3,400)		-		(23,807)
Infrastructure	3)	34,858,289)		(6,099,764)		736,617		(90,221,436)
Buildings and improvements	(1	15,656,253)		(1,267,512)		893,124		(16,030,641)
Equipment	(1	12,437,556)		(1,746,834)		1,559,018		(12,625,372)
Right-to-use leased assets		(6,854)		(11,012)		-		(17,866)
Total accumulated depreciation	(11	12,979,359)		(9,128,522)		3,188,759	(118,919,122)
Total capital assets being depreciated/amortized, net	16	52,099,957		(2,981,170)		(970,687)		158,148,100
Net capital assets	\$ 16	66,541,096	\$	2,853,395	\$	(7,118,039)	\$	162,276,452

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements December 31, 2022 and 2021

(4) Capital Assets, continued

2021		eginning					Ending
(As Restated)		Balance	Increases	l	Decreases		Balance
Capital assets, not being depreciated:							
Land	\$	1,878,208	\$ -	\$	-	\$	1,878,208
Construction work in progress		3,968,161	8,048,525		(9,453,755)		2,562,931
Total capital assets, not being depreciated		5,846,369	8,048,525		(9,453,755)		4,441,139
Capital assets, being depreciated/amortized:							
Land Rights		255,094	-		_		255,094
Infrastructure	2	203,712,916	6,925,946		(1,070,885)		209,567,977
Buildings and improvements		42,162,262	1,690,153		(321,075)		43,531,340
Equipment		21,054,934	837,656		(219,256)		21,673,334
Right-to-use leased assets		17,917	33,654		-		51,571
Total capital assets, being	7	267,203,123	9,487,409		(1,611,216)		275,079,316
depreciated/amortized		.07,203,123	9,407,409		(1,011,210)		
Less accumulated depreciation/amortization	on fo	r:					
Land Rights		(17,006)	(3,401)		-		(20,407)
Infrastructure	((80,114,818)	(5,903,971)		1,160,500		(84,858,289)
Buildings and improvements	([14,832,624]	(1,238,472)		414,843		(15,656,253)
Equipment	([11,042,470]	(1,614,342)		219,256		(12,437,556)
Right-to-use leased assets		_	(6,854)		_		(6,854)
Total accumulated depreciation	(1	.06,006,918)	(8,767,040)		1,794,599	(112,979,359)
Total capital assets being	1	61,196,205	720,369		183,383		162,099,957
depreciated/amortized, net		.01,170,203	720,309		100,000		104,099,937
Net capital assets	\$ 1	67,042,574	\$ 8,768,894	\$	(9,270,372)	\$:	166,541,096

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(5) Lease Receivable

The Utility is lessor in two separate lease agreements in which land is leased for the operation of cryptocurrency mining. Neither lease contains renewal options and termination dates range from 2024 – 2025. During the years ended December 31, 2022 and 2021, the Utility recognized revenue related to these agreements totaling \$24,920 and \$265, respectively.

The Utility is lessor to one agreement in which land is leased for the placement of a telecommunications tower. This lease contains renewal options that allow, at the lessee's option, to continue leasing the property in 5 year increments until 2030. The Utility believes with reasonable certainty that all renewal options will be exercised by the lessee. Rent payments are received annually and escalate at each renewal based upon changes in CPI. Rent escalation revenue in this lease is excluded in the measurement of the lease receivable and will be recorded as an inflow of resources in the period received. During the years ended December 31, 2022 and 2021, the Utility recognized revenue related to this agreement totaling \$8,464 and \$8,464, respectively.

Total future minimum lease payments to be received under lessor agreements are as follows:

Fiscal Year Ended	Amount			
2023	\$	42,084		
2024		30,984		
2025		8,934		
2026		8,934		
2027		8,934		
Thereafter		17,867		
Total	\$	117,737		

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended December 31, 2022 and 2021 is as follows:

	Restated,				Amounts
	Beginning			Ending	Due Within
2022	Balance	Additions	Reductions	Balance	One Year
Capital Loan Notes:					
Series 2015	\$11,760,000	\$ -	\$ 2,895,000	\$ 8,865,000	\$3,045,000
Unamortized premium	1,392,341	-	342,757	1,049,584	
Unamortized discount	(14,235)		(3,504)	(10,731)	
Long-term debt total	13,138,106	-	3,234,253	9,903,853	3,045,000
Customer advances					
for construction	280,500	-	130,200	150,300	
Landfill closure:					
Streeter post-closure	135,000	13,720	11,220	137,500	
Western Units Asset					
Retirement Obligation	2,738,918	75,962	2,001,361	813,519	
Net pension liability (note 7)	126,192	4,130,911	718,380	3,538,723	
Accrued severance	746,754	2,357	71,355	677,756	
OPEB (note 12)	1,019,414	87,539	100,740	1,006,213	
Lease agreements	44,639	-	11,091	33,548	11,091
Other liabilities	1,322,460	103,292	213,214	1,212,538	
Total	\$ 19,551,983	\$ 4,413,781	\$ 6,491,814	\$17,473,950	\$3,056,091

2021	Beginning			Ending	Amounts Due Within
(Restated)	Balance	Additions	Reductions	Balance	One Year
Capital Loan Notes:	Datanee	nuuitions	Reductions	Balance	One rear
Series 2015	\$ 14,520,000	\$ -	\$ 2,760,000	\$ 11,760,000	\$ 2,895,000
Unamortized premium	1,719,115	-	326,774	1,392,341	, _,,,,,,,,
Unamortized discount	(17,576)	-	(3,341)	(14,235)	
Long-term debt total	16,221,539	_	3,083,433	13,138,106	2,895,000
Customer advances					
for construction	358,500	69,700	147,700	280,500	
Landfill closure:	,	21,		200,000	
Streeter post-closure	150,500	_	15,500	135,000	
Western Units Asset			•	·	
Retirement Obligation	2,701,769	92,956	55,807	2,738,918	
Net pension liability (note 7)	6,084,396	1,021,259	6,979,463	126,192	
Accrued severance	749,279	35,074	37,599	746,754	
OPEB (note 12)	1,012,843	112,681	106,110	1,019,414	
Lease agreements	17,917	33,654	6,932	44,639	11,091
Other liabilities	1,429,236	107,116	213,892	1,322,460	
Total	\$ 28,725,979	\$ 1,472,440	\$ 10,646,436	\$ 19,551,983	\$ 2,906,091

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Long-Term Liabilities, continued

Debt

On June 17, 2015, capital loan notes in the amount of \$26,395,000 were issued to advance refund \$16,280,000 of outstanding Series 2005 revenue bonds and \$12,465,000 of outstanding Series 2007 revenue bonds. The notes mature in 2026 and interest rates throughout the term of the notes range between 5.00% and 2.50%.

The 2015 revenue capital loan notes require annual principal payments, due December 1, and semiannual interest payments, due June 1 and December 1. The capital loan notes are secured by the future net revenues of the Utility. Long-term debt matures and bears interest as follows:

		Series 2015 Electric								
	Re	Refunding Capital Loan Notes								
	De	December 1 2.50% - 5.00%								
	I	Principal	I	nterest						
Year		Amount		Amount						
2023	\$	3,045,000	\$	310,875						
2024		3,195,000		158,625						
2025		1,290,000		78,750						
2026		1,335,000		40,050						
	\$	8,865,000	\$	588,300						

The bond resolutions provide certain covenants relating to the collection, segregation, and distribution of revenues from customers; places certain restrictions on future borrowing and leasing or disposition of assets; and requires that minimum insurance coverage be maintained.

All Utility revenues net of specified operating expenses are pledged as security of the above bonds until the bonds are defeased. Principal and interest paid for 2022 and 2021 were \$3,350,625 and \$3,353,625, respectively. Total sales of electricity gross revenues as defined for the same periods were \$69,612,119 and \$54,976,935. Annual principal and interest payments are expected to require 3.39% of gross revenues on average.

Landfill Closure

Iowa Administrative Code requires the Utility to place a final cover on its ash landfill site for its Streeter Station Generating Facility and have in place surveying monuments and an approved groundwater monitoring system. Iowa Administrative Code also requires the Utility to maintain the final cover, monitor ground water, and file reports with the Iowa Department of Natural Resources for ten years following closure of the site. The landfill was closed by December 31, 2017. Landfill post-closure care costs at December 31, 2022 are estimated to be \$137,500. This represents the cumulative estimated amount to perform all post-closure care after 2022. Currently, the Utility has \$145,300 in restricted funds to cover the cost of the post-closure (see note 2). Actual costs may be higher due to inflation, changes in technology, or changes in regulations that occur during the closure and post closure.

In 2008 the Utility created a Landfill Closure liability for its ownership share of Walter Scott Energy Center Unit 3, and George Neal Generating Station Unit 4 generating units. The Walter Scott Energy Center Unit 3 dry ash landfill is expected to be closed December 1, 2029 and its wet ash landfill is expected to be closed December 1, 2023. The Neal Unit 4 landfill is expected to be closed December 1, 2023. A liability has been established and funds designated to pay the closing costs in the amount of \$813,519 (see note 3).

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Long-Term Liabilities, continued

Western Units Asset Retirement Obligation (ARO) and the Utility's minority share as of the years ended December 31, 2022 and 2021 are as follows:

2022	Walter Scott Energy Center - Unit 3 Dry Landfill		Walter Scott Energy Center - Unit 3 Wet Landfill		George Neal Generating Station - Unit 4 Dry Landfill			Total
Total Asset Retirement Obligation	\$	13,962,246	\$	10,254,814	\$	2,511,611	\$	26,728,671
Utilty's ownership percentage		3.10%		3.10%		2.50%		
Utilty's share of total ARO	\$	432,830	\$	317,899	\$	62,790	\$	813,519
2021								
Total Asset Retirement Obligation	\$	17,823,388	\$	68,523,160	\$	2,487,009	\$	88,833,557
Utilty's ownership percentage		3.10%		3.10%		2.50%		
Utilty's share of total ARO	\$	552,525	\$	2,124,218	\$	62,175	\$	2,738,918

Other Liabilities

In 2016 the Utility created the Simple Solar program: a community solar project, or a large collection of solar panels built and maintained by the Utility. The program allows for Utility customers to purchase solar units and receive bill credits based on the output of the panels in the future. The program is scheduled to end in May 2036. Customers who move or determine they no longer wish to participate in the program can get a refund on their purchase. The per unit refund a customer can receive decreases annually and a liability has been established for potential refunds. For 2022 and 2021 the noncurrent portion of this liability was \$1,212,538 and \$1,322,460 respectively.

Lease Agreements

The Utility has entered into agreements that leases other entity's non-financial assets. A lease liability is established at the commencement of these leases and initially measured at the value of the payments expected to be made during the lease term. Total future minimum lease payments to be paid under lessee agreements are as follows:

	Fiscal Year Ended	A	mount
2023		\$	11,091
2024			11,091
2025			7,929
2026			3,437
Total		\$	33,548

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Electric Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. 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.com.

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.

Plan Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 members first month of entitlement 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 percent 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 percent 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 payment.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or lump-sum payments equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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 IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. 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.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Contributions, continued

In fiscal year 2022 and 2021 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2022 and 2021 were \$720,863 and \$699,784, respectively.

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At December 31, 2022 and 2021, the Utility reported a liability of \$3,538,723 and \$126,192, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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 Regular Membership IPERS participating employers. On June 30, 2022, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.093663 percent, which was an increase of 0.130216 percent from its proportion measured as of June 30, 2021 of -0.036553 percent.

For the years ended December 31, 2022 and 2021, the Utility recognized pension expense of \$12,553 and (\$425,691), respectively. At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		202	22		2021			
	Deferred Outflows of Resources		Deferred Inflows of Resources				Deferred Inflows of Resources	
Differences between expected and actual experience	\$	156,872	\$	48,472	\$	96,014	\$	96,403
Changes of assumptions		3,003		85		82,541		-
Net difference between projected and actual earnings on pension plan investments		-		378,809		-		4,572,129
Changes in proportion and differences between Utility's contributions and proportionate share of contributions		127,161		99,696		168,930		30,724
Utility's contributions subsequent to the measurement date		360,290		-		351,195		-
Total	\$	647,326	\$	527,062	\$	698,680	\$	4,699,256

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows</u> of Resources Related to Pensions, continued

\$360,290 reported as deferred outflows of resources related to pensions resulting from the Utility's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	 2022	2021
December 31, 2023	\$ (319,113)	\$(1,076,980)
December 31, 2024	(237,904)	(994,984)
December 31, 2025	(447,894)	(1,206,808)
December 31, 2026	765,799	19,062
December 31, 2027	(914)	na

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation: (effective June 30, 2017)	2.60 percent per annum
Rates of salary increase: (effective June 30, 2018)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return: (effective June 30, 2017)	7.0 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum based on 2.60 percent inflation And 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2022 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 Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Actuarial Assumptions, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Report 2022 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	3.57%
International Equity	17.5%	4.79%
Global smart beta equity	6.0%	4.16%
Core-plus Fixed Income	20.0%	1.66%
Public Credit	4.0%	3.77%
Cash	1.0%	0.77%
Private Equity	13.0%	7.57%
Private Real Assets	8.5%	3.55%
Private Credit	8.0%	3.63%
Total	100%	=

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>

The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) that the current rate.

	1% Decrease (6.0%)		Decrease F		Decrease Rate		1% Increase (8.0%)	
Utility's proportionate share of the net pension liability/(asset) at 6-30-22	\$	6,469,239	\$	3,538,723	\$	831,099		
	I	1% Decrease (6.0%)]	Discount Rate _(7.0%)		1% Increase (8.0%)		
Utility's proportionate share of the net pension liability/(asset) at 6-30-21	\$	4,447,826	\$	126,192	\$	(3,496,574)		

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Pension Plan Fiduciary Net Position

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.

Payables to the Pension Plan

At December 31, 2022 and 2021, the Utility reported a payable of \$84,931 and \$82,475, respectively, to the defined benefit pension plan for legally required employer contributions and a payable of \$36,430 and \$36,362, respectively for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

(8) Income Tax Status

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

(9) Jointly Owned Capital Assets

The Utility's share of jointly owned electric facilities at December 31, 2022 and 2021 is reflected in the following table. These facilities provide approximately 32.5% of the Utility's total generating capacity. The Utility is required to provide financing for its share of the facilities. The Utility's share of expenses associated with these facilities is included with the appropriate operating expenses in the statements of revenues, expenses and changes in net position.

	Net Capital Assets						
	Percentage	Capacity					
Facility	Ownership	MW		2022		2021	
Walter Scott Energy Center Unit 3	3.10%	21	\$	12,340,105	\$	14,226,429	
Walter Scott Energy Center Unit 4	2.14%	16.9		21,259,774		21,838,214	
George Neal Generating Station Unit 4	2.50%	15		12,789,517		13,144,892	

(10) Related Party Transactions

The Utility provides electric service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$741,471 and \$650,915 in 2022 and 2021, respectively. Contributions to capital projects were \$0 and \$136,531 in 2022 and 2021, respectively. The Utility also reimburses the City for some infrastructure project or construction costs. In 2022 and 2021, these costs were \$140,880 and \$153,114, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2022 to reimburse the Electric Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This Other Receivable, with an outstanding balance of \$9,518,311 and \$10,017,358 as of December 31, 2022 and 2021, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources at December 31, 2022 and 2021 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$499,047 and \$563,472 in 2022 and 2021, respectively and is part of contributed capital on the statements of revenues, expenses and changes in net position.

The Utility makes payments in lieu of taxes upon approval by the Board of Trustees to the City of Cedar Falls, Iowa. Expenses for 2022 and 2021 were \$2,543,741 and \$2,700,000, respectively, which were recorded in administrative and general expenses. Subsequent to December 31, 2022, the Utility's Board of Trustees approved the payment of \$2,543,741 related to payments in lieu of taxes for 2022 at their April 2023 Board of Trustees meeting.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Risk Management

The Cedar Falls Municipal Electric, Gas, Water, and Communications Utilities (Utilities) are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utilities purchase commercial insurance for claims related to these risks.

The Utilities maintain a risk management account for risks related to their self-insured medical plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2022 plan year for aggregate medical claims exceeding \$3.5 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. The estimate is based on a percentage of claims unpaid at year end considering the Utilities claims payment history. Changes in the balances of claims liabilities during the past two years are as follows:

	 2022		2021
Unpaid claims and IBNR, beginning of year	\$ 264,900	\$	353,300
Current year costs including IBNR	3,458,317		3,946,015
Claims paid	(3,517,317)		(4,034,415)
Unpaid claims and IBNR, end of year	\$ 205,900	_\$	264,900

The Electric Utility has recorded \$98,700 and \$127,000 in accounts payable for its share of these unpaid claims at December 31, 2022 and 2021, respectively.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Risk Management, continued

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 533 governmental entities participate in the Association as of June 30, 2022. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

The following table sets forth summarized financial data of the Association as of and for its year ended June 30, 2022 and 2021:

		2022		2021
Cash and cash equivalents and investments	\$	104,478,083	\$	103,818,736
Receivables		3,685,168		3,894,777
Other assets		4,036,525		3,154,581
Total assets	\$_	112,199,776	\$	110,868,094
Total liabilities	\$	43,004,095	\$	38,339,333
Total net position		69,195,681		72,528,761
Total liabilities and net position	\$_	112,199,776	\$_	110,868,094
Total revenues	\$	18,825,373	\$	18,174,755
Total expenses		22,158,453		16,155,593
Net increase (decrease) in net position	\$	(3,333,080)	\$	2,019,162

There have been no instances where the amount of settlement has exceeded available coverage in the past three years. There has been no significant reduction in insurance coverage from coverage in the prior year.

(12) Other Post-Employment Benefits (OPEB)

Plan Description

The Utilities administers a single-employer benefit plan (the Plan) for all four utilities which provides medical, vision, prescription drug and dental benefits to all active and retired employees and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must be a minimum of 55 years old, apply for a bona fide retirement under IPERS, and are enrolled in the Utility's insurance plan at the time of retirement. Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides a \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

At November 1, 2021, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	78
Active members	184
	262

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(12) Other Post-Employment Benefits (OPEB), continued

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,765,280 and \$1,673,707 was measured as of December 31, 2022 and December 31, 2021, respectively, and was determined by an actuarial valuation as of January 1, 2022 and January 1,2020, respectively.

At December 31, 2022 and 2021, the Utility reported a liability of \$1,006,213 and \$1,019,414, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2022)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2022)	4.00%	per annum.
Discount rate		
(effective January 1, 2022)	2.06%	per annum.
Healthcare cost trend rate		
(effective January 1, 2022)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.06% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2016 with MP 2021 generational projection of future mortality improvement.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(12) Other Post-Employment Benefits (OPEB), continued

Changes in the Utility's Total OPEB Liability

	2022 Total OPEB Liability	2021 Total OPEB Liability
Utility's share of total OPEB liability beginning of year Changes for the year:	\$ 1,019,414	\$ 1,012,843
Changes in Utility's proportion	(65,399)	-
Service cost	58,409	48,701
Interest	20,815	27,261
Changes of benefit terms	10,347	-
Difference between expected and actual experiences	(22,940)	36,719
Changes in assumptions	63,367	-
Benefit payments	(77,800)	(106,110)
Net changes	(13,201)	6,571
Utility's share of total OPEB liability end of year	\$ 1,006,213	\$1,019,414

Changes of assumptions reflect a change in the discount rate from 2.74% in fiscal year 2020 to 2.06% in fiscal year 2022.

Sensitivity of the Utility's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.06%) or 1% higher (3.06%) than the current discount rate.

	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Utility's share of total OPEB liability at December 31, 2022	\$ 1,105,017	\$ 1,006,213	\$ 919,816
	1%	Discount	1%
	Decrease (1.74%)	Rate (2.74%)	Increase (3.74%)
Utility's share of total OPEB liability at December 31, 2021	\$ 1,075,643	\$ 1,019,414	\$ 909,943

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(12) Other Post-Employment Benefits (OPEB), continued

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

		1%	 lealthcare ost Trend		1%	
		ecrease 4.00%)	Rate (5.00%)	Increase (6.00%)		
Utility's share of total OPEB liability at December 31, 2022	\$	920,465	\$ 1,006,213	\$	1,109,279	
	n	1% ecrease	lealthcare ost Trend Rate		1% Increase	
	_	4.50%)	 (5.50%)		(6.50%)	
Utility's share of total OPEB liability at December 31, 2021	\$	910,687	\$ 1,019,414	\$	1,078,829	

<u>OPEB Expense</u>, <u>Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u> At December 31, 2022 and 2021, the Utility recognized OPEB expense of \$70,227 and \$114,782,

At December 31, 2022 and 2021, the Utility recognized OPEB expense of \$70,227 and \$114,782 respectively.

At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022					20	21	1		
	Deferred		Deferred		Г	eferred	Deferred			
	Outflows of		Inflows of		Ou	Outflows of		flows of		
	Re	sources	Re	sources	Resources Reso		sources			
Difference between expected and actual experience	\$	129,967	\$	45,258	\$	159,995	\$	29,549		
Changes in assumptions		137,015				96,906		-		
	\$	266,982	\$	45,258	\$	256,901	\$	29,549		

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year-ending December 31,	 2022 Amount	 2021 Amount
2022	N/A	\$ 34,874
2023	\$ 37,649	34,874
2024	37,649	34,874
2025	37,649	34,874
2026	37,649	34,874
2027	37,649	34,874
Thereafter	33,479	 18,108
	\$ 221,724	\$ 227,352

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(13) Commitments and Contingencies

The Utility has joint ownership interest in Walter Scott Energy Center Units 3 and 4, and the George Neal Generating Station Unit 4 (see note 9). Coal procurements are made by the agent for the joint owners on a system portfolio basis, which are a mix of 1, 2, and 3-year purchases to minimize risk. The Utility is obligated to purchase at least the annual amount of coal to operate the Utility's share at minimum load. The Utility's share of coal purchases for the years 2022 and 2021 were \$3,597,576 and \$2,591,851, respectively.

The Utility is under contract to purchase the net energy, associated capacity, and renewable energy credits of a solar generation plant from the Cedar Falls Solar Farm, LLC located in Cedar Falls for a period of 25 years starting from the commercial operating date in April 2016. The energy output is variable and the pricing is set per MWh in the contract.

As of December 31, 2022, the Utility was involved in several construction projects scheduled to be completed by 2026 with an estimated cost to complete of \$7,579,000.

The Utility is a party to various lawsuits arising in the normal course of business. The Utility believes the resolutions will not have a material adverse impact on its financial operations and net position.

(14) Subsequent Events

Subsequent events for the Utility have been evaluated through May 25, 2023, which is the date that the financial statements were available to be issued.

Effective January 1, 2023, the Board of Trustees approved an 3.0% base rate increase.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As a result of adopting GASB Statement No. 87 Leases in fiscal year 2022, the beginning net position was restated to retroactively report the change in value of assets previously reported as capital leases as follows:

Net position December 31, 2020, as previously reported	\$ 187,867,821
Add lease receivable under GASB No. 87 at	
December 31, 2020	80,404
Less deferred inflow of resources under GASB No. 87	
at December 31, 2020	(80,404)
Add lease asset under GASB No. 87 at December 31, 2020	17,917
Less lease liability under GASB No. 87 at December 31, 2020	 (17,917)
Net position January 1, 2021, as restated	\$ 187,867,821

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Utilities Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

	2022	2021	2020	2019	2018
Utility's proportion of the net pension liability (asset)	0.093663%	-0.036553%	0.086614%	0.088879%	0.088439%
Utility's proportionate share of the net pension liability	\$ 3,538,723	\$ 126,192	\$ 6,084,396	\$ 5,146,692	\$ 5,596,666
Utility's Covered payroll	\$ 7,539,909	\$ 7,305,702	\$ 6,871,085	\$ 6,764,038	\$ 6,649,690
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	46.93%	1.73%	88.55%	76.09%	84.16%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%	83.62%
	2017	2016	2015	2014	
Utility's proportion of the net pension liability (asset)	2017 0.092572%	2016 0.097166%	2015 0.100286%	2014 0.106106%	
		0.097166%	0.100286%		
(asset) Utility's proportionate share of the net pension	0.092572%	0.097166%	0.100286%	0.106106%	
(asset) Utility's proportionate share of the net pension liability	0.092572% \$ 6,166,474	0.097166% \$ 6,114,982	0.100286% \$ 4,954,618	0.106106% \$ 4,208,071	

^{*} The amounts presented for each fiscal year 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 ten-year trend is compiled, the Utilities will present information for those years for which information is available.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Required Supplemental Information

December 31, 2022 and 2021

Schedule of Utility's Contributions Iowa Public Employees' Retirement System Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 720,863	\$ 699,784	\$ 668,482	\$ 643,558	\$ 611,302
Contributions in relation to the statutorily required contribution	(720,863)	(699,784)	(668,482)	(643,558)	(611,302)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 7,636,256	\$ 7,412,961	\$ 7,081,377	\$ 6,817,357	\$ 6,654,200
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.19%
	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 606,977	\$ 608,381	\$ 600,278	\$ 649,951	\$ 611,560
Contributions in relation to the statutorily required contribution	(606,977)	(608,381)	(600,278)	(649,951)	(611,560)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 6,797,057	\$ 6,812,773	\$ 6,722,036	\$ 7,278,286	\$ 6,950,838
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.80%

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Notes to Required Supplemental Information Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement dates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination dates for all members.

The 2018 valuation, which is used to determine the contribution rates effective July 1, 2019, incorporated the following refinements after a demographic assumption study:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation, which is used to determine the contribution rates effective July 1, 2018, incorporated the following refinements after an economic assumption study:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the investment return assumption from 7.50 percent to 7.00 percent
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 2- year period.

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Changes in the Total OPEB Liability, Related Ratios and Notes

	2022		2021		2020		2019	 2018
Changes in Utility's proportion	\$ (65,399)	\$	-	\$	-	\$	-	\$ _
Service cost	58,409		48,701		47,622		38,663	37,797
Interest	20,815		27,261		27,690		31,876	32,037
Changes of benefit terms	10,347		-		-		-	-
Difference between expected and actual experiences	(22,940)		36,719		(7,522)		(39,429)	218,624
Changes in assumptions	63,367		-		58,184		-	88,114
Benefit payments	(77,800)		(106,110)		(56,803)		(20,801)	(90,870)
Net change in Utility's share of total OPEB liability	 (13,201)		6,571		69,171		10,309	 285,702
Utility's share of total OPEB liability beginning of year	1,019,414		1,012,843		943,672		933,363	 647,661
Utility's share of total OPEB liability end of year	\$ 1,006,213	\$:	1,019,414	\$:	1,012,843	\$	943,672	\$ 933,363
Covered-employee payroll	\$ 7,127,407	\$ (6,804,794	\$ 6	6,460,505	\$ (6,326,484	\$ 6,138,299
Utility's share of total OPEB liability as a percentage of covered-employee payroll	14.12%		14.98%		15.68%		14.92%	15.21%

Notes to Schedule of Changes in Utility's Total OPEB Liability and Related Ratios

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

No assets are accumulated in a trust that meets the criteria is paragraph 4 of GASB Statement No. 75.

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

 Year ended December 31, 2022
 2.06%

 Year ended December 31, 2021
 2.74%

 Year ended December 31, 2020
 2.74%

 Year ended December 31, 2019
 3.44%

 Year ended December 31, 2018
 3.44%

 Year ended December 31, 2017
 5.00%



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 Cedar Falls Utilities, Municipal Electric Utility Cedar Falls, 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, the financial statements of the Municipal Electric Utility of the City of Cedar Falls, Iowa (Municipal Electric Utility) as of and for the year ended December 31, 2022, and related notes to the financial statements, and have issued our report thereon dated May 25, 2023.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Electric 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 Municipal Electric Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Electric 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Electric 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 determination of financial statement amounts. 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 Municipal Electric Utility's operations for the year ended December 31, 2022, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Electric 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.

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 May 25, 2023

Esde Saelly LLP

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 2022.

Part III: Other Findings Related to Required Statutory Reporting:

- 2022-IA-A **Certified Budget** Disbursements during the year ended December 31, 2022, did not exceed the amount budgeted.
- 2022-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.
- 2022-IA-C **Travel Expense** No expenditures of the Utility's money for travel expenses of spouses of Utility officials or employees were noted.
- 2022-IA-D **Business Transactions** No business transactions between the Utility and Utility officials or employees were noted.
- 2022-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.
- 2022-IA-F **Board Minutes** No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2022-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.
- 2022-IA-H **Revenue Bonds** No instances of noncompliance with the provisions of the Utility's revenue bond resolutions were noted.
- 2022-IA-I **Telecommunications Services** No instances of non-compliance with Chapter 388.10 of the Code of lowa were noted.
- 2022-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.



Cedar Falls Utilities

Financial Statements of the Municipal Gas Utility of the City of Cedar Falls, Iowa

Including Independent Auditors' Reports

For The Years Ended December 31, 2022 and 2021

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (Component Unit of the City of Cedar Falls, Iowa)

Table of Contents

Independent Auditors' Report Management Discussion and Analysis 1 Statements of Net Position 8 Statements of Revenues, Expenses and Changes in Net Position 11 Statements of Cash Flows 12 **Notes to Financial Statements** 14 Schedule of the Utility's Proportionate Share of the Net Pension Liability - Iowa Public 35 Employee's Retirement System Schedule of the Utility's Contributions – Iowa Public Employee's Retirement System 36 Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes 38 Independent Auditors' Report on Internal Control over Financial Reporting and on 39 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards Schedule of Findings Related to Government Auditing Standards and Required Statutory 41 Report



Independent Auditor's Report

To the Board of Trustees Cedar Falls Utilities, Municipal Gas Utility

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Gas Utility of the City of Cedar Falls, Iowa (Municipal Gas Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Municipal Gas 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 Municipal Gas Utility, as of December 31, 2022, and 2021, the respective changes in financial position, and 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 Municipal Gas 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 13 to the financial statements, the Municipal Gas Utility has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2022. Accordingly, a restatement has been made to the Municipal Gas Utility's net position as of January 1, 2021, to restate beginning net position. 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 Municipal Gas 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 the Municipal Gas 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 the Municipal Gas 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, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of the Municipal Gas 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 Municipal Gas 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 Municipal Gas Utility's internal control over financial reporting and compliance.

Lake Bailly LLP Dubuque, Iowa May 25, 2023

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

The following financial analysis and condensed statements of the Municipal Gas Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2022 and 2021. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

Management's discussion and analysis (MDA) serves as an introduction to the financial statements, and the MDA represents management's examination and analysis of the Utility's financial condition and performance. The financial statements report information about the Utility using full accrual accounting methods as utilized by similar entities in the private sector.

The statements of net position include the Utility's assets and deferred outflows of resources, liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and flexibility of the Utility.

The statements of revenues, expenses and changes in net position present the results of the Utility's activities (revenues and expenses) over the course of the fiscal year and can provide information about the Utility's recovery of its costs. Retail rates are established by the Board of Trustees and based on operating costs, debt service requirements, and anticipated capital needs. A fundamental objective of this rate model is to provide adequate revenue to cover all costs.

The statements of cash flows present cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities and investing activities. This statement provides answers to such questions as: where the cash came from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period* aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements. Please see the notes to the financial statements for more information.

The Utility adopted GASB 87 effective January 1, 2022. Statement No. 87, *Leases* establishes a single model for lease accounting based on the principle that leases are financings or the right to use another entity's nonfinancial asset. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Beginning fiscal year 2021 net position was retroactively restated to include lease assets and liabilities. The effect of implementation on net position is detailed in Note 13.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021's Extreme Winter Weather Event & Natural Gas Costs

In February 2021, extreme cold in the Midwest and Southwest United States caused a large shift in both natural gas and electric market prices. The extremely cold temperatures led to increased demand for electricity and natural gas used to heat homes and businesses across the country. At the same time, the cold weather limited or in some cases completely stopped the production of natural gas in the southern U.S. from the wells that normally provide a large portion of the natural gas for utilities in the Midwest. The price utilities across the country paid on the market for natural gas increased to record-breaking prices, up to 100 times the normal price. As a result the cost the Utility paid for natural gas and related pipeline fees for February 2021 was \$19.2 million. The February 2021 cost was more than the total expense for 2020 (\$5.9 million) and 2019 (\$8.2 million) combined.

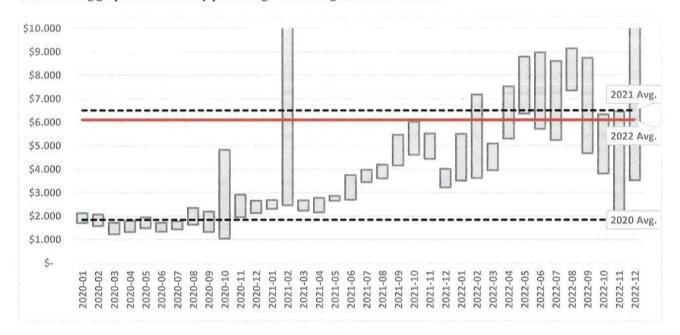
The cost the Utility pays for natural gas and related pipeline fees are passed on to customers through the Purchased Gas Adjustment (PGA) without markup but on March 1, 2021, the Board of Trustees approved spreading out the billing of the February 2021 costs over a 12 month period to ease the burden for Utility customers. Customer billings for the February 2021 costs started in April 2021 and it was not until March 2022 that most customers had fully paid for their portion of February's natural gas costs.

As customers were allowed to spread the cost of February's natural gas costs over 12 months the Utility used funds from money markets and investment maturities to ensure sufficient operating funds were available while recovering the costs. This is the primary reason why 2021's year end unrestricted cash and investments decreased \$4.5 million from 2020 and receivables from customer accounts, less allowance for doubtful accounts increased \$5.9 million. In 2022 as the Utility recovered these costs funds, they were re-invested. See Note 3 - Cash and Investments.

Even if the record-breaking prices from February 12 to February 18, 2021 were excluded, 2021 saw a significant increase in the average market price the Utility paid for natural gas. Excluding those days the average daily market price the utility paid for natural gas in 2021 compared to 2020, almost doubled. Including February 12 to February 18, 2021 the average daily market price the utility paid for natural gas in 2021 more than tripled compared to 2020.

In 2022 natural gas price volatility hit record highs and the average market price the Utility paid for natural gas was still over three times 2020's average.

The following graph is the monthly price range and average for 2020 to 2022.



(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

The number of days where daily natural gas prices were over \$10:

	2020	2021	2022
Count	0	7	2

In October 2022 the Utilities contract for transportation of natural gas expired and the updated contract which expires in 2027 includes a significant increase in related pipeline fees. In 2022 these expenses, included in natural gas purchased for resale on the Statements of Revenues, Expenses and Changes In Net Position were \$1.8 million. 2023 expenses are expected to be \$5.6 million.

As the cost of natural gas and related pipeline fees are directly passed on to customers (normally via the PGA) there is a corresponding increase in operating revenue for these expenses.

Utility Financial Analysis

Condensed Statement of Net Position

1		2022	(2021 Restated)	2022 Change	(No	2020 ot Restated)	2021 Change
Net Capital Assets	\$	15,530,186	\$	15,426,829	103,357	\$	15,133,735	293,094
Noncurrent Assets		1,093,584		1,141,099	(47,515)		1,188,614	(47,515)
Current Assets		19,315,896		17,182,606	2,133,290		16,100,905	1,081,701
Deferred Outflows of Resources		279,393		298,956	(19,563)		425,101	(126,145)
Total Assets and Deferred Outflows of Resources	\$	36,219,059	\$	34,049,490	2,169,569	\$	32,848,355	1,201,135
Current Liabilities		4,639,849		2,478,691	2,161,158		1,597,344	881,347
Noncurrent Liabilities		1,677,524		647,392	1,030,132		2,820,147	(2,172,755)
Deferred Inflows of Resources		322,851		1,792,832	(1,469,981)		223,386	1,569,446
Total Liabilities and Deferred Inflows of Resources		6,640,224		4,918,915	1,721,309		4,640,877	278,038
Net Position								
Net Investment In Capital Assets		15,523,210		15,417,517	105,693		15,133,735	283,782
Restricted		504,672		437,564	67,108		446,089	(8,525)
Unrestricted		13,550,953		13,275,494	275,459		12,627,654	647,840
Total Net Position		29,578,835		29,130,575	448,260		28,207,478	923,097
Total Liabilities, Deferred Inflows and Net Position	\$	36,219,059	\$	34,049,490	2,169,569	\$	32,848,355	1,201,135

2022 compared to 2021, significant changes include:

Total Assets and Deferred Outflows of Resources: In 2022 the Utility continued to recover costs from February 2021's extreme winter weather event. This allowed the Utility to re-invest funds that had been used to ensure sufficient operating funds were available while recovering the costs. These impacts can be seen on the Statement of Net Position. A \$4.4 million increase in unrestricted investments and a \$2.7 million decrease in receivables from customers. The year-end balance of \$5.2 million in receivables from customers is still significantly higher than recent years pre 2021 due to continued high natural gas costs. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

❖ Total Liabilities and Deferred Inflows of Resources: Year-end accounts payable increased \$1.5 million primarily due to unpaid invoices related to natural gas costs. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis. Also, the reserve for surplus declaration liability increased from \$0 to \$604,416 related to the payment in lieu of taxes (PILOT) paid to the City of Cedar Falls for 2022 in 2023. See Note 8 - Related Party Transactions.

2021 compared to 2020, significant changes include:

- Total assets and deferred outflows of resources increased \$1.2 million primarily due to a \$1.1 million increase in current assets. Unrestricted cash and investments decreased by \$4.5 million but that decrease was offset by a \$5.9 million increase in accounts receivable from customers. These changes are the impacts of the extreme February 2021 natural gas price. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.
- Total liabilities and deferred inflows of resources increased \$278,000 primarily due to:
 - Accounts payable balance increase of \$824,000, the majority can be attributed to an increase in unpaid invoices related to natural gas and related pipeline fees at year end. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.
 - Changes related to IPERS net pension liability impacting noncurrent liabilities and deferred inflows of resources. See Note 6 - Pension Plan – IPERS.

Condensed Revenues, Expenses and Changes in Net Position

		2022	2021 (Restated)		2022 Change	2020 (Not Restated)		2021 Change
Sales of Gas	\$	22,718,765	\$	34,058,261	(11,339,496)	\$	11,908,779	22,149,482
Other		70,459		61,305	9,154		48,936	12,369
Total Operating Revenues		22,789,224		34,119,566	(11,330,342)		11,957,715	22,161,851
Natural Gas Purchased		16,966,996		28,482,040	(11,515,044)		6,453,965	22,028,075
Operation & Maintenance		1,527,379		1,444,147	83,232		1,478,240	(34,093)
Depreciation & Amortization		934,153		910,515	23,638		880,999	29,516
Services & Administrative		3,065,841		2,379,409	686,432		2,764,717	(385,308)
Total Operating Expenses	_	22,494,369		33,216,111	(10,721,742)	_	11,577,921	21,638,190
Total Non-Operating Revenues (Expenses)	_	153,405		19,642	133,763	_	102,466	(82,824)
Change in Net Position		448,260		923,097	(474,837)		482,260	440,837
Net Position, Beginning of Year, as Restated		29,130,575		28,207,478	923,097		27,725,218	482,260
Net Position, End of Year	\$	29,578,835	\$	29,130,575	448,260	\$	28,207,478	923,097

2022 compared to 2021, significant changes include:

The total operating revenues decrease of \$11.3 million and total operating expenses decrease of \$10.7 million is primarily the result of lower natural gas costs. These costs are passed on to customers via the purchased gas adjustment (PGA). See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021 compared to 2020, significant changes include:

The total operating revenues increase of \$22.2 million and total operating expenses increase of \$21.6 million is primarily the result of higher natural gas costs. These costs are passed on to customers via the purchased gas adjustment (PGA). See the Extreme Winter Weather Event section of the Management's Discussion and Analysis. There was a 2.9% overall average base rate increase in 2021, which contributed less than \$100,000 to the increased operating revenues.

Condensed Statement of Cash Flows

		2022	2021	2022 Change	2020	2021 Change
Cash Flows from	100					
Operating Activities	\$	5,492,310	\$ (3,383,692)	8,876,002	\$ 1,039,508	(4,423,200)
Capital & Related Financing Activities		(1,009,632)	(1,186,431)	176,799	(1,090,716)	(95,715)
Investing Activities	_	(4,320,850)	4,380,965	(8,701,815)	 (1,417,910)	5,798,875
Net Change in Cash & Cash Equivalents		161,828	(189,158)	350,986	(1,469,118)	1,279,960
Cash & Cash Equivalents - Beginning of Year		8,493,998	8,683,156	(189,158)	10,152,274	(1,469,118)
Cash & Cash Equivalents - End of Year	\$	8,655,826	\$ 8,493,998	161,828	\$ 8,683,156	(189,158)

2022 compared to 2021, significant changes include:

- Cashflows from operating activities: 2021's cash outflow was primarily due to the Utility allowing customers to spread out payback of their share of the February 2021 natural gas costs over a year. The Utility continued to recover these costs in 2022 resulting in a cash inflow. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.
- Cashflows from investing activities: 2021's cash inflow was primarily due to the Utility allowing customers to spread out payback of their share of the February 2021 natural gas costs over a year. Funds that were invested at the start of 2021 were not reinvested but were used to ensure sufficient operating funds were available while recovering the costs. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.

2021 compared to 2020, significant changes include:

Cashflows from operating activities decreased by \$4.4 million and cashflows from investing activities increased by \$5.8 million primarily due to the utility spreading out the recovery of February's natural gas costs. See the 2021's Extreme Winter Weather Event section of the Management's Discussion and Analysis.

Utility Capital Assets Activity

At December 31, 2022, the Utility had \$15.5 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2022 included installation of mains, services, meters, regulators and security upgrades.

At December 31, 2021, the Utility had \$15.4 million, as restated, in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2021 included installation of mains, services, meters, regulators and security upgrades.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Utility Debt Activity

There are no debt holdings for 2022 and 2021.

Utility Changes to Future Financial Statements

Effective January 1, 2023, the Board of Trustees approved an 8.0% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$450,000.

This Page Intentionally Left Blank

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Statements of Net Position December 31, 2022 and 2021

	2022		<u>2021</u> (Restated)
Assets			,
Capital assets: (note 4)			
Capital assets, in service	\$	31,974,094	\$ 31,067,239
Less accumulated depreciation & amortization		16,459,368	15,706,669
Net capital assets in service		15,514,726	 15,360,570
Construction work in progress		15,460	 66,259
Net capital assets		15,530,186	15,426,829
Noncurrent assets:			
Other (note 8)		1,093,584	1,141,099
Total noncurrent assets		1,093,584	1,141,099
Current assets:			
Cash and cash equivalents - unrestricted (note 3)		8,232,827	8,048,734
Cash and cash equivalents - restricted (note 2 and 3)		422,999	445,264
Investments - unrestricted (note 3)		4,378,272	· -
Investments - restricted (note 2 and 3)		116,773	40,000
Receivables:			
Customer accounts, less allowance for doubtful			
accounts of \$42,100 in 2022 and \$52,200 in 2021		5,182,201	7,929,541
Interest		9,251	83
Trade		438,936	262,022
Other		36,560	28,485
Inventories:			
Material and supplies		314,830	291,437
Prepayments and other		183,247	 137,040
Total current assets		19,315,896	 17,182,606
Total assets		35,939,666	33,750,534
Deferred outflows of resources			
Pension related deferred outflows (note 6)		218,513	242,521
OPEB related deferred outflows (note 10)		60,880	 56,435
Total deferred outflows of resources		279,393	298,956
Total assets and deferred outflows of resources	\$	36,219,059	\$ 34,049,490

See accompanying notes to financial statements.

(A Component Unit of the City of Cedar Falls, Iowa) Statements of Net Position December 31, 2022 and 2021

	2022	<u>2021</u> (Restated)		
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,644,535	\$	2,145,883	
Accrued wages and vacations	278,360		281,948	
Reserve for surplus declaration (note 8)	604,416		-	
Lease related (note 5)	2,336		2,336	
Other accrued expenses	 110,202		48,524	
Total current liabilities	 4,639,849		2,478,691	
Noncurrent liabilities: (note 5)				
Customer advances for construction	88,434		118,634	
Lease related (note 5)	4,639		6,976	
Net pension liability (note 6)	1,200,389		44,325	
Other liabilities	384,062		477,457	
Total noncurrent liabilities	 1,677,524	***************************************	647,392	
Total liabilities	6,317,373		3,126,083	
Deferred inflows of resources				
OPEB related deferred inflows (note 10)	10,168		6,511	
Pension related deferred inflows (note 6)	178,790		1,650,613	
TIF related deferred inflows (note 8)	 133,893		135,708	
Total deferred inflows of resources	 322,851		1,792,832	
Total liabilities and deferred inflows of resources	6,640,224		4,918,915	
Net Position				
Net investment in capital assets	15,523,210		15,417,517	
Restricted	504,672		437,564	
Unrestricted	 13,550,953		13,275,494	
Total net position	 29,578,835		29,130,575	
Total liabilities, deferred inflows of resources and net position	\$ 36,219,059	\$	34,049,490	
position	 50,=17,007		J 1,0 17,170	

See accompanying notes to financial statements.

This Page Intentionally Left Blank

(A Component Unit of the City of Cedar Falls, Iowa) Statements of Revenue, Expenses and Changes in Net Position December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)		
Operating revenues:				
Sales of gas:				
Residential	\$ 10,924,201	\$ 15,293,887		
Commercial	5,996,937	7,723,403		
Governmental (note 8)	2,027,727	5,958,876		
Industrial	1,947,083	2,609,405		
Interdepartmental	1,822,817	2,472,690		
Total sales of gas	22,718,765	34,058,261		
Other operating revenues	70,459	61,305		
Total operating revenues	 22,789,224	 34,119,566		
Operating expenses:				
Production:				
Natural gas purchased for resale	16,966,996	28,482,040		
Other	13,275	8,678		
Distribution	1,514,104	1,435,469		
Administrative and general (note 8)	2,091,156	1,396,371		
Customer service and information expenses	388,531	341,094		
Customer accounts	396,403	470,089		
Sales	17,463	18,053		
Depreciation and amortization	934,153	910,515		
Taxes other than income taxes	172,288	153,802		
Total operating expenses	 22,494,369	 33,216,111		
Operating income	 294,855	 903,455		
Non-operating revenues (expenses):				
AFUDC (note 1)	1,523	4,578		
Contributed capital (note 8)	8,124	1,815		
Interestincome	135,910	9,768		
Net increase in the fair value of investments	7,453	-		
Miscellaneous revenue, net	395	3,481		
Total non-operating revenues (expenses)	 153,405	 19,642		
Change in net position	448,260	923,097		
Net position, beginning of year, as restated (note 13)	 29,130,575	28,207,478		
Net position, end of year	\$ 29,578,835	\$ 29,130,575		

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Statements of Cash Flows

December 31, 2022 and 2021

Cash flows from operating activities:	2022		<u>2021</u>
Cash received from customers Cash paid to suppliers Cash paid to employees	\$ 25,352,865 (18,282,190) (1,578,365)	\$	28,469,630 (30,302,677) (1,550,645)
Net cash provided by / (used in) operating activities	5,492,310		(3,383,692)
Cash flows from capital and related financing activities:			
Proceeds from customer advances for construction Refunds of customer advances for construction Acquisition, construction and removal cost of capital assets Proceeds from sale of capital assets Reimbursement of utility construction costs	 (30,200) (989,053) 1,497 8,124		24,420 (50,560) (1,163,999) 1,893 1,815
Net cash used in capital and related financing activities	 (1,009,632)		(1,186,431)
Cash flows from investing activities:			
Proceeds from maturities of investment securities Purchase of investment securities Interest received	 40,000 (4,487,592) 126,742		4,400,000 (40,000) 20,965
Net cash provided by / (used in) investing activities	(4,320,850)		4,380,965
Net increase (decrease) in cash and cash equivalents	161,828		(189,158)
Cash and cash equivalents, beginning of year	8,493,998		8,683,156
Cash and cash equivalents, end of year (note 1)	\$ 8,655,826	_\$	8,493,998

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Statements of Cash Flows December 31, 2022 and 2021

Reconciliation of operating income to net cash provided by (used) for operating activities	2022	2021 (Restated)
Operating income	\$ 294,855	\$ 903,455
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation and amortization of capital assets	934,153	910,515
Other income (expense), net	395	3,481
(Increase) decrease in accounts receivable	2,570,426	(5,655,320)
(Increase) decrease in inventories	(22,950)	22,006
(Increase) decrease in prepayments and other	(54,282)	(8,760)
Increase (decrease) in accounts payable	1,490,823	842,556
Increase (decrease) in reserve for surplus declaration	604,416	-
Increase (decrease) in accrued wages and vacation	(3,588)	22,836
Increase (decrease) in other accrued expenses	(183,267)	(292,636)
Increase (decrease) in other liabilities	(138,671)	 (131,825)
Net cash provided by (used for) operating activities	\$ 5,492,310	\$ (3,383,692)
Schedule of noncash investing, capital and financing activities: AFUDC	1,523	4,578
Reconciliation of cash and cash equivalents to		
statement of net position accounts: Cash and cash equivalents - unrestricted Cash and cash equivalents - restricted	\$ 8,232,827 422,999	\$ 8,048,734 445,264
Cash and cash equivalents	\$ 8,655,826	\$ 8,493,998

See accompanying notes to financial statements.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

The Municipal Gas Utility (Utility) of the City of Cedar Falls, Iowa is a separate and distinct city utility and is chartered under Iowa Code Section 388. The Utility is a component unit of the City of Cedar Falls, Iowa. The Utility's rates are set by its governing board. The Utility follows the accounting practices prescribed through the Federal Energy Regulatory Commission for regulated utilities and proprietary fund accounting for governmental entities under accounting principles generally accepted in the United States of America.

The Utility, as a regulated utility, follows the Code of Federal Regulations Title 18 – Conservation of Power and Water Resources, Chapter I – Federal Energy Regulatory Commission, Department of Energy.

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 1.90% in 2022 and 1.65% 2021. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated services and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: infrastructure – 18 to 65 years, buildings and improvements – 15 to 45 years, and equipment – 6 to 70 years. The depreciation provisions were equivalent to an overall composite rate of 2.9% of depreciable assets for 2022 and 2.9% for 2021.

Capital assets may be contributed to the Utility by outside parties. As these assets are completed and placed in service, the utility reports the acquisition value of contributed capital on the date received in the statement of revenue, expenses, and changes in net position.

Replacements and betterments of capital assets are charged to capital assets. Routine maintenance and repairs are charged to expense as incurred. At the time capital assets are retired, the original cost of the asset plus cost of removal less salvage is charged to accumulated depreciation.

Leases

<u>Utility as Lessee</u>: The Utility is a lessee for several noncancellable lease agreements. The Utility has recognized a lease liability and an intangible right-to-use asset in the Utility's financial statements.

At the commencement of a lease, the Utility initially measures the lease liability as the value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lesser of the lease term or the useful life of the underlying asset starting at the commencement of the lease.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Cash and Investments

Investments are stated at their fair value except for the investment in the Iowa Public Agency Investment Trust (IPAIT) and non-negotiable certificates of deposits which are valued at amortized cost.

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) on December 31, 2022 and 2021 were \$429,887 and \$93, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are recorded at the invoiced amount and are reported net of allowances.

Inventories

Materials and supplies are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are consumed.

Prepayments

Prepayments are recorded at the beginning of an agreement for items that span a year or more and meet a minimum threshold. These items require payment at the beginning and are amortized over the life of the agreement. Current assets are amortized for one year from the beginning date. Noncurrent assets have a longer life and are amortized as needed per the terms of the agreement. The Utility incurs prepayments for things such as insurance coverages or licensing or maintenance of software and hardware. These agreements generally cover periods other than a calendar year and result in balances at year end.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, other post-employment benefits (OPEB) expense, and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Utility's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of tax increment financing receivables that will not be recognized as revenue until the year for which they are levied, unrecognized items not yet charged to pension expense, unrecognized other postemployment benefits (OPEB) expenses.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of government entities.

Unrestricted net position consists of net positions that do not meet the definition of net investment in capital assets or restricted.

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2022 and 2021 was as follows:

	2022	2021			
Restricted for/by			_		
Health and Dental Insurance	\$ 504,672	\$	437,564		

Natural Gas Commodity Purchases

The Utility has entered into agreements with natural gas suppliers to purchase gas for resale to our customers. Purchases under these contracts are considered normal purchases and sales and considered outside the scope of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and are not marked-to-market.

Operating Revenues and Expenses

Operating revenues include revenues resulting from the sale of gas and service revenues. Operating expenses include those derived from natural gas purchases, distribution, depreciation, customer accounts, customer service and informational, sales, and administrative and general activities. Non-operating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities and investing activities.

Revenues from the sale of gas are based on billing rates, which are applied to customers' consumption of natural gas. The Utility records estimated unbilled revenue, including amounts to be billed under a purchased gas adjustment clause, at the end of accounting periods. Revenues earned, but not yet billed at December 31, 2022 and 2021 were \$2,287,317 and \$1,587,651, respectively, and are recorded in customer accounts receivable. The Utility uses a purchased gas adjustment clause whereby variable fuel costs are billed to customers and included in operating revenue without changing base rates charged to customers.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. During 2022, there was a budget amendment of \$15,019,189 primarily due to the increased purchased power expenses for the Electric Utility and increased natural gas expenses for the Gas Utility. During 2021, there were budget amendments of \$23,720,732 in September and \$1,035,575 in November primarily due to the record-breaking prices of natural gas in February 2021. This is discussed in more detail in the Management's Discussion and Analysis section.

Grants

The Gas Utility has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Employee Benefits

Employee benefits for accumulated sick leave hours are not accrued as they are not payable to employees upon termination of service. Vacation hours are earned monthly and accruals are recorded as liabilities and unused vacation hours are paid upon termination of service. Accrued wages represent time employees worked during the calendar year, but are unpaid on December 31.

The Gas Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay shall apply only to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2022 and 2021, the accrued liability was \$154,576 and \$164,539, respectively.

Customer Advances

Customer advances represent amounts paid to the utility by developers to extend service to new areas. As customers are added, advances will be refunded to the developers over the defined term of the agreement. Expired advances are recorded as other non-operating income in the year they expire.

Reclassifications

Reclassifications of prior year's amounts may have been made for comparability. These reclassifications had no impact on the change in net position or the total ending net position.

Implementation of GASB Statement No. 89

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements.

Implementation of GASB Statement No. 87

As of January 1, 2022, the Utility adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The impact to the Utility resulting in the reporting of right-to-use assets and lease liabilities. The effect of the implementation of this standard on the beginning net position is disclosed in Note 13.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(2) Restricted Assets

The composition of restricted assets as of December 31, 2022 and 2021 was as follows:

2022	 Cash	Inv	estments	Total		
Current Assets - Restricted						
Self Insured Dental	\$ 13,712	\$	-	\$	13,712	
Self Insured Medical	409,287		116,773		526,060	
Total Current Assets - Restricted	 422,999		116,773		539,772	
Total Restricted Assets	\$ 422,999	\$	116,773	\$	539,772	
2021	Cash	Inv	estments		Total	
2021 Current Assets - Restricted	 Cash	Inv	estments		Total	
· · · · · · · · · · · · · · · · · · ·	\$ Cash 16,154	Inv \$	estments -		Total 16,154	
Current Assets - Restricted	\$		- 40,000			
Current Assets - Restricted Self Insured Dental	\$ 16,154		-		16,154	

Amounts deposited in the Self-Insured Medical and Dental funds may only be used for medical and dental reserves and expenses.

(3) Cash and Investments

The Utility is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility uses the fair value hierarchy established by generally accepted accounting principles 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.

Federal Agency Obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and other market assumptions (Level 2 inputs).

Interest Rate Risk

The Utility's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

<u>Credit Risk</u>

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2022 or 2021. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Investments, continued

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2022 or 2021.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility's deposits are covered by federal depository insurance up to the insured limits or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

<u>Custodial Credit Risk - Investments</u>

For an investment, this 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 investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk with regards to investments since all investments were held by the Utility or its agent in the Utility's name.

Reconciliation to Financial Statements

A reconciliation of the Utility's total cash and investments to the statement of net position follows:

		2022	2021
Petty cash	-\$	100	\$ 100
Checking & Sweep		5,150,420	6,871,612
Money markets		3,075,419	1,622,193
Carrying amount of IPAIT		429,887	93
Certificates of deposits		1,250,000	40,000
Carrying amount of federal agency obligations		3,245,045	-
Total	\$	13,150,871	\$ 8,533,998
Current Assets Cash and cash equivalents - unrestricted Investments - unrestricted	\$	8,232,827 4,378,272	\$ 8,048,734 <u>-</u>
Current assets unrestricted total		12,611,099	 8,048,734
Cash and cash equivalents - restricted Investments - restricted		422,999 116,773	445,264 40,000
Current assets restricted total		539,772	485,264
Total per statement of net position	\$	13,150,871	\$ 8,533,998

Of the unrestricted cash and investments listed above, the Board of Trustees of the Municipal Gas Utility has made reserve fund designations as follows:

	2022	2021
Unrestricted Cash and Investments		
Board Designated		
Capital Replacement	\$ 5,857,970	\$ 5,325,032
Payments in Lieu of Taxes	604,416	-
Operating	 6,148,713	2,723,702
Total Unrestricted Cash and Investments	\$ 12,611,099	\$ 8,048,734

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements

December 31, 2022 and 2021

(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2022 and 2021 follows:

	Restated,			
	Beginning			Ending
2022	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 25,617	\$ -	\$ -	\$ 25,617
Construction work in progress	66,259	978,296	(1,029,095)	15,460
Total capital assets, not being depreciated	91,876	978,296	(1,029,095)	41,077
Capital assets, being depreciated/amortized:				
Infrastructure	26,237,946	958,444	(103,811)	27,092,579
Buildings and improvements	4,280,284	12,028	(5,072)	4,287,240
Equipment	512,575	58,623	(13,357)	557,841
Right-to-use leased assets	10,817	-	-	10,817
Total capital assets, being depreciated/amortized	31,041,622	1,029,095	(122,240)	31,948,477
Less accumulated depreciation/amortization	on for:			
Infrastructure	(14,475,573)	(737,199)	121,583	(15,091,189)
Buildings and improvements	(891,601)	(103,595)	5,072	(990,124)
Equipment	(338,009)	(49,599)	13,358	(374,250)
Right-to-use leased assets	(1,486)	(2,319)	-	(3,805)
Total accumulated depreciation	(15,706,669)	(892,712)	140,013	(16,459,368)
Total capital assets being depreciated/amortized, net	15,334,953	136,383	17,773	15,489,109
Net capital assets	\$ 15,426,829	\$ 1,114,679	\$ (1,011,322)	\$ 15,530,186

(A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements December 31, 2022 and 2021

(4) Capital Assets, continued

2021 (As Restated)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:		11101 04305	Doorouses	
Land	\$ 25,617	\$ -	\$ -	\$ 25,617
Construction work in progress	135,746	1,135,564	(1,205,051)	66,259
Total capital assets, not being depreciated	161,363	1,135,564	(1,205,051)	91,876
Capital assets, being depreciated/amortized:				
Infrastructure	25,241,005	1,137,797	(140,856)	26,237,946
Buildings and improvements	4,291,890	47,420	(59,026)	4,280,284
Equipment	512,408	19,835	(19,668)	512,575
Right-to-use leased assets	4,086	6,731	-	10,817
Total capital assets, being depreciated/amortized	30,049,389	1,211,783	(219,550)	31,041,622
Less accumulated depreciation for:				
Infrastructure	(13,920,842)	(710,494)	155,763	(14,475,573)
Buildings and improvements	(846,757)	(103,870)	59,026	(891,601)
Equipment	(305,332)	(52,344)	19,667	(338,009)
Right-to-use leased assets	_	(1,486)	-	(1,486)
Total accumulated depreciation	(15,072,931)	(868,194)	234,456	(15,706,669)
Total capital assets being depreciated/amortized, net	14,976,458	343,589	14,906	15,334,953
Net capital assets	\$ 15,137,821	\$ 1,479,153	\$ (1,190,145)	\$ 15,426,829

$\label{eq:municipal} \textbf{MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA}$

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended December 31, 2022 and 2021 is as follows:

2022	Restated, Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Customer advances for construction	\$ 118,634	\$ -	\$ 30,200	***************************************	<u> </u>
	-	•	,	,	
Net pension liability (note 6)	44,325	1,400,630	244,566	1,200,389	
Accrued severance	164,539	11,093	21,056	154,576	
OPEB (note 10)	202,108	50,354	22,976	229,486	
Lease agreements	9,312	-	2,337	6,975	2,336
Other liabilities	110,810	-	110,810		
Total	\$ 649,728	\$ 1,462,077	\$ 431,945	\$ 1,679,860	\$ 2,336
•					Amounts
2021	Beginning			Ending	Due Within
(Restated)	Balance	Additions	Reductions	Balance	One Year
Customer advances for construction	\$ 144,774	\$ 24,420	\$ 50,560	\$ 118,634	
Net pension liability (note 6)	2,090,749	405,107	2,451,531	44,325	
Accrued severance	162,344	57,895	55,700	164,539	
OPEB (note 10)	200,660	24,657	23,209	202,108	
Lease agreements	4,086	6,731	1,505	9,312	2,336
Other liabilities	221,620	-	110,810	110,810	

Lease Agreements

The Utility has entered into agreements that leases other entity's non-financial assets. A lease liability is established at the commencement of these leases and initially measured at the value of the payments expected to be made during the lease term. Total future minimum lease payments to be paid under lessee agreements are as follows:

	Fiscal Year Ended	Amount		
2023		\$ 2,336		
2024		2,336		
2025		1,615		
2026		 688		
Total		\$ 6,975		

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Gas Utility. Employees of the Utility are provided with pensions through a cost sharing multiple employer defined benefit pension plan administered by IPERS. 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.com.

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.

Plan Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 members first month of entitlement 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.)

Plan Benefits, continued

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 percent 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 percent 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 payment.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or lump sum payments equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Pension Plan - IPERS, continued

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 IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. 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.

In fiscal year 2022 and 2021 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2022 and 2021 were \$242,121 and \$241,592, respectively.

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At December 31, 2022 and 2021, the Utility reported a liability of \$1,200,389 and \$44,325, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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 Regular Membership IPERS participating employers. On June 30, 2022, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.031772 percent, which was an increase of 0.044611 percent from its proportion measured as of June 30, 2021 of -0.012839 percent.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Pension Plan - IPERS, continued

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued</u>

For the years ended December 31, 2022 and 2021, the Utility recognized pension expense of (\$49,630) and (\$106,874) respectively. On December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022				2021					
	Deferred Outflows of		Deferred Inflows of		Deferred Outflows of					
	Re	esources	R	esources	R	esources	Re	sources		
Differences between expected and actual experience	\$	53,213	\$	16,443	\$	33,725	\$	33,863		
Changes of assumptions		1,019		28		28,992		-		
Net difference between projected and actual earnings on pension plan investments		-		128,499			1	,605,958		
Changes in proportion and differences between Utility's contributions and proportionate share of contributions		43,135		33,820		59,336		10,792		
Utility's contributions subsequent to the measurement date		121,146		-		120,468		-		
Total	\$	218,513	\$	178,790	\$	242,521	\$1	,650,613		

\$121,146 reported as deferred outflows of resources related to pensions resulting from the Utility's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	 2022	2021
December 31, 2023	\$ (108,248)	\$ (378,289)
December 31, 2024	(80,701)	(349,487)
December 31, 2025	(151,932)	(423,890)
December 31, 2026	259,771	6,691
December 31, 2027	(313)	na

There were no non-employer contributing entities at IPERS.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Pension Plan - IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation:

(effective June 30, 2017)

2.60 percent per annum

Rates of salary increase:

3.25 to 16.25 percent, average, including inflation. Rates vary

(effective June 30, 2018)

by membership group

 $Long\text{-}term\ investment\ rate\ of\ return:}$

7.0 percent, compounded annually, net of investment

(effective June 30, 2017)

expense, including inflation

Wage growth

3.25 percent per annum based on 2.60 percent inflation

(effective June 30, 2017)

And 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2022 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 Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Reports 2022 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	3.57%
International Equity	17.5%	4.79%
Global smart beta equity	6.0%	4.16%
Core-plus Fixed Income	20.0%	1.66%
Public Credit	4.0%	3.77%
Cash	1.0%	0.77%
Private Equity	13.0%	7.57%
Private Real Assets	8.5%	3.55%
Private Credit	8.0%	3.63%
Total	100%	=

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Pension Plan - IPERS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the</u> Discount Rate

The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	I	1% Decrease (6.0%)		Decrease		Decrease		Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-22	\$	2,222,994	\$	1,200,389	\$ 285,587				
	I	1% Decrease (6.0%)		Discount Rate (7.0%)	1% Increase (8.0%)				
Utility's proportionate share of the net pension liability/(asset) at 6-30-21	\$	1,528,385	\$	44,325	\$ (1,201,511)				

Pension Plan Fiduciary Net Position

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.

Pavables to the Pension Plan

At December 31, 2022 and 2021, the Utility reported a payable of \$27,919 and \$27,288, respectively to the defined benefit pension plan for legally required employer contributions and a payable of \$11,992 and \$12,223, respectively for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

(7) Income Tax Status

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

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(8) Related Party Transactions

The Utility provides gas service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$163,031 and \$270,536 in 2022 and 2021, respectively. The Utility also reimburses the City for some infrastructure project or construction costs. In 2022 and 2021, these costs were \$25,585 and \$0, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2022 to reimburse the Gas Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This other receivable, with an outstanding balance of \$133,893 and \$135,708 as of December 31, 2022 and 2021, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources on December 31, 2022 and 2021 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$1,815 and \$1,815 in 2022 and 2021, respectively, and is recorded as contributed capital in the statements of revenues, expenses and changes in net position.

The Utility makes payments in lieu of taxes upon approval by the Board of Trustees to the City of Cedar Falls, Iowa. Expenses for 2022 and 2021 were \$604,416 and \$0 respectively, which were recorded in administrative and general expenses. Subsequent to December 31, 2022, the Utility's Board of Trustees approved the payment of \$604,416 related to payments in lieu of taxes for 2022 at their April 2023 Board of Trustees meeting. No payment was made in 2022 for 2021 and no expense was recorded for 2021 due to the financial impacts of the extreme February 2021 natural gas prices. See the 2021's Extreme Winter Weather Event & Natural Gas Costs section of the Management's Discussion and Analysis.

(9) Risk Management

The Cedar Falls Municipal Electric, Gas, Water, and Communications Utilities (Utilities) are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utilities purchase commercial insurance for claims related to these risks.

The Utilities maintain a risk management account for risks related to their self-insured medical plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2022 plan year for aggregate medical claims exceeding \$3.5 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. The estimate is based on a percentage of claims unpaid at year-end considering the Utilities claims payment history. Changes in the balances of the Utilities liabilities during the past two years are as follows:

	 2022	2021
Unpaid claims and IBNR, beginning of year	\$ 264,900	\$ 353,300
Current year costs including IBNR	3,458,317	3,946,015
Claims paid	(3,517,317)	 (4,034,415)
Unpaid claims and IBNR, end of year	\$ 205,900	\$ 264,900

The Gas Utility has recorded \$35,100 and \$47,700 in accounts payable for its share of these unpaid claims and IBNR on December 31, 2022 and 2021, respectively.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(9) Risk Management, continued

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 533 governmental entities participate in the Association as of June 30, 2022. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

The following table sets forth summarized financial data of the Association as of and for its year ended June 30, 2022 and 2021:

		2022	 2021
Cash and cash equivalents and investments	\$	104,478,083	\$ 103,818,736
Receivables		3,685,168	3,894,777
Other assets		4,036,525	 3,154,581
Total assets	\$	112,199,776	\$ 110,868,094
Total liabilities	\$	43,004,095	\$ 38,339,333
Total net position		69,195,681	 72,528,761
Total liabilities and net position	_\$_	112,199,776	\$ 110,868,094
Total revenues	\$	18,825,373	\$ 18,174,755
Total expenses		22,158,453	16,155,593
Net increase (decrease) in net position	\$	(3,333,080)	\$ 2,019,162

There have been no instances where the amount of settlement has exceeded available coverage in the past three years. There has been no significant reduction in insurance coverage from coverage in the prior year.

(10) Other Post-Employment Benefits (OPEB)

Plan Description

The Utilities administers a single-employer benefit plan (the Plan) for all four utilities which provides medical, vision, prescription drug and dental benefits to all active and retired employees and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must be a minimum of 55 years old, apply for a bona fide retirement under IPERS, and are enrolled in the Utility's insurance plan at the time of retirement. Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides a \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

At November 1, 2021, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	78
Active members	184
	262

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(10) Other Post-Employment Benefits (OPEB), continued

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,765,280 and \$1,673,707 was measured as of December 31, 2022 and December 31, 2021, respectively, and was determined by an actuarial valuation as of January 1, 2022 and January 1,2020, respectively.

At December 31, 2022 and 2021, the Municipal Gas Utility reported a liability of \$229,486 and \$202,108, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2022)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2022)	4.00%	per annum.
Discount rate		
(effective January 1, 2022)	2.06%	per annum.
Healthcare cost trend rate		
(effective January 1, 2022)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.06% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2016 with MP 2021 generational projection of future mortality improvement.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(10) Other Post-Employment Benefits (OPEB), continued

Changes in the Total OPEB Liability

	2022 Total OPEB Liability	2021 Total OPEB Liability
Utility's share of total OPEB liability beginning of year Changes for the year:	\$ 202,108	\$ 200,660
Changes in Utility's proportion	15,474	-
Service cost	13,321	10,731
Interest	4,747	6,007
Changes of benefit terms	2,360	
Difference between expected and actual experiences	(5,078)	7,919
Changes in assumptions	14,452	-
Benefit payments	(17,898)	(23,209)
Net changes	27,378	1,448
Utility's share of total OPEB liability end of year	\$ 229,486	\$ 202,108

Changes of assumptions reflect a change in the discount rate from 2.74% in fiscal year 2020 to 2.06% in fiscal year 2022.

Sensitivity of the Utility's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.06%) or 1% higher (3.06%) than the current discount rate.

	1% Decrease (1.06%)		Discount Rate (2.06%)	1% Increase (3.06%)
Utility's share of total OPEB liability at December 31, 2022	\$	252,022	\$ 229,486	\$ 209,783
	_	1% ecrease 1.74%)	Discount Rate (2.74%)	 1% Increase (3.74%)
Utility's share of total OPEB liability at December 31, 2021	\$	237,006	\$ 202,108	\$ 200,496

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(10) Other Post-Employment Benefits (OPEB), continued

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1%		ealthcare st Trend	1%
	 ecrease 4.00%)	(Rate 5.00%)	Increase (6.00%)
Utility's share of total OPEB liability at December 31, 2022	\$ 209,931	\$	229,486	\$ 252,993
	 1% ecrease 4.50%)	Co	ealthcare st Trend Rate 5.50%)	1% Increase (6.50%)
Utility's share of total OPEB liability at December 31, 2021	\$ 200,660	\$	202,108	\$ 237,708

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB At December 31, 2022 and 2021, the Utility recognized OPEB expense of \$44,488 and \$24,105, respectively.

At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022					2021				
	D	eferred	Deferred		Deferred		Deferred		De	eferred
	Outflows of		Inflows of		Out	flows of	Inf	lows of		
	Re	sources	Re	sources	Resources		Resources			
Difference between expected and actual experience	\$	29,630	\$	10,168	\$	35,082	\$	6,511		
Changes in assumptions		31,250		-		21,353		_		
	\$	60,880	\$	10,168	\$	56,435	\$	6,511		

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(10) Other Post-Employment Benefits (OPEB), continued

<u>OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year-ending December 31,	F	2022 Amount		2021 mount
2022		N/A		7,684
2023	\$	8,586		7,684
2024		8,586		7,684
2025		8,586		7,684
2026		8,586		7,684
2027		8,586		7,684
Thereafter		7,782		3,820
	\$	50,712	\$	49,924

(11) Commitments and Contingencies

The Utility has a natural gas transportation contract with a pipeline, which expires in 2027. Total payments include transportation charges and commodity charges. Minimum transportation payments for 2023 are expected to be approximately \$5.6 million at current rates.

The Utility is a member of the Central Plains Energy Project. This organization was created in 2006 to accomplish the members' joint and cooperative action with respect to the acquisition, transportation scheduling, management and related services and functions, which are necessary to provide the members secure, reliable, and economic supplies of natural gas. This membership allows the Utility to purchase a fixed amount of gas at a discount from market prices for 30 years with 5 year renewal targets. The Utility has four active projects that expire in 2039, 2042, 2049 or 2053.

The Utility will periodically enter into fixed price contracts for gas in future heating seasons and pricing agreements during any given heating season. Fixed price contracts for gas have been committed to for the current heating season. The estimated commitment for 2023 and beyond is \$270,530. Pricing agreements settle against average daily index or monthly index pricing based on fixed quantities. The estimated future commitment is not yet quantifiable for agreements that have occurred in the current heating season. A February 2023 contract settled with proceeds of \$31,080 to CFU. A March 2023 agreement was executed for 2500 DTH at \$3.395 per day and will settle against the Inside FERC Index Settled Price for March.

As of December 31, 2022, the Utility was involved in several construction projects scheduled to be completed by 2024 with an estimated cost to complete of \$632,000.

(12) Subsequent Events

Subsequent events for the Utility have been evaluated through May 25, 2023, which is the date that the financial statements were available to be issued.

Effective January 1, 2023, the Board of Trustees approved an 8.0% base rate increase.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As a result of adopting GASB Statement No. 87, *Leases*, in fiscal year 2022, the beginning net position was restated to retroactively report the change in value of assets previously reported as capital leases as follows:

Net position December 31, 2020, as previously reported	\$ 28,207,478
Add lease asset under GASB No. 87 at December 31, 2020	4,086
Less lease liability under GASB No. 87 at December 31, 2020	 (4,086)
Net position January 1, 2021, as restated	\$ 28,207,478

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Utilities Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

		2022		2021		2020		2019	2018
Utility's proportion of the net pension liability (asset)	0	.031772%	-(0.012839%	0	.029763%	0	0.029079%	0.028401%
Utility's proportionate share of the net pension liability	\$	1,200,389	\$	44,325	\$	2,090,749	\$	1,683,839	\$1,797,303
Utility's Covered payroll	\$	2,557,658	\$	2,566,128	\$	2,361,078	\$	2,212,988	\$2,135,470
Utility's proportionate share of the net pension liability as a percentage of its covered payroll		46.93%		1.73%		88.55%		76.09%	84.16%
Plan fiduciary net position as a percentage of the total pension liability		91.40%		100.81%		82.90%		85.45%	83.62%
		2017		2016		2015		2014	_
Utility's proportion of the net pension liability (asset)	0	.027453%	0	0.029325%	0	.028655%	0	0.029953%	
Utility's proportionate share of the net pension liability	\$	1,828,698	\$	1,845,493	\$	1,415,692	\$	1,716,179	
Utility's Covered payroll	\$	2,049,215	\$	2,104,446	\$	1,963,123	\$	2,831,621	
Utility's proportionate share of the net pension liability as a percentage of its covered payroll		89.24%		87.69%		72.11%		60.61%	
Plan fiduciary net position as a percentage of the total pension liability		82.21%		81.82%		85.19%		87.61%	

^{*} The amounts presented for each fiscal year 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 ten-year trend is compiled, the Utilities will present information for those years for which information is available.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Required Supplemental Information

December 31, 2022 and 2021

Schedule of Utility's Contributions Iowa Public Employees' Retirement System Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 242,121	\$ 241,592	\$ 229,265	\$ 221,680	\$ 195,011
Contributions in relation to the statutorily required contribution	(242,121)	(241,592)	(229,265)	(221,680)	(195,011)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 2,564,840	\$ 2,559,232	\$ 2,428,655	\$ 2,348,304	\$ 2,122,084
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.19%
	2017	2016	2015	2014	2013
Statutorily required contribution	2017 \$ 186,403	2016 \$ 185,043	2015 \$ 176,125	2014 \$ 181,269	2013 \$ 166,363
Statutorily required contribution Contributions in relation to the statutorily required contribution					
Contributions in relation to the	\$ 186,403	\$ 185,043	\$ 176,125	\$ 181,269	\$ 166,363
Contributions in relation to the statutorily required contribution Contribution deficiency (excess)	\$ 186,403 (186,403) \$ -	\$ 185,043 (185,043) \$ -	\$ 176,125 (176,125) \$ -	\$ 181,269 (181,269) \$ -	\$ 166,363 (166,363) \$ -
Contributions in relation to the statutorily required contribution	\$ 186,403	\$ 185,043 (185,043)	\$ 176,125	\$ 181,269	\$ 166,363

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa)

omponent Unit of the City of Cedar Falls, low Required Supplemental Information

December 31, 2022 and 2021

Notes to Required Supplemental Information Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement dates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination dates for all members.

The 2018 valuation, which is used to determine the contribution rates effective July 1, 2019, incorporated the following refinements after a demographic assumption study:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation, which is used to determine the contribution rates effective July 1, 2018, incorporated the following refinements after an economic assumption study:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the investment return assumption from 7.50 percent to 7.00 percent
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 2- year period.

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Changes in the Total OPEB Liability, Related Ratios and Notes

	2022	 2021	2020	 2019	2018
Changes in Utility's proportion	\$ 15,474	\$ -	\$ -	\$ -	\$ -
Service cost	13,321	10,731	10,318	7,733	7,435
Interest	4,747	6,007	5,999	6,375	6,303
Changes of benefit terms	2,360	-	-	-	-
Difference between expected and actual experiences	(5,078)	7,919	(1,972)	(4,889)	43,008
Changes in assumptions	14,452	-	12,606	-	17,334
Benefit payments	(17,898)	(23,209)	(11,966)	(7,157)	(17,876)
Net change in Utility's share of total OPEB liability	27,378	 1,448	14,985	 2,062	 56,204
Utility's share of total OPEB liability beginning of year	 202,108	 200,660	185,675	183,613	 127,409
Utility's share of total OPEB liability end of year	\$ 229,486	\$ 202,108	\$ 200,660	\$ 185,675	\$ 183,613
Covered-employee payroll	2,354,068	\$ 2,277,987	\$ 2,233,058	\$ 2,203,762	\$ 1,991,492
Utility's share of total OPEB liability as a percentage of covered-employee payroll	9.75%	8.87%	8.99%	8.43%	9.22%

Notes to Schedule of Changes in Utility's Total OPEB Liability and Related Ratios

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

No assets are accumulated in a trust that meets the criteria is paragraph 4 of GASB Statement No. 75.

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2022 2.06% Year ended December 31, 2021 2.74% Year ended December 31, 2020 2.74% Year ended December 31, 2019 3.44% Year ended December 31, 2018 3.44% Year ended December 31, 2017 5.00%



CPAs & BUSINESS ADVISORS

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 Cedar Falls Utilities, Municipal Gas Utility Cedar Falls, 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, the financial statements of the Municipal Gas Utility of the City of Cedar Falls (Municipal Gas Utility) as of and for the year ended December 31, 2022, and related notes to the financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Gas 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 Municipal Gas Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Gas 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Gas 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 Municipal Gas Utility's operations for the year ended December 31, 2022, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Gas 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.

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 May 25, 2023

Esde Saelly LLP

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 2022.

Part III: Other Findings Related to Required Statutory Reporting:

2022-IA-A	Certified Budget – Disbursements during the year ended December 31, 2022, did not exceed the amount budgeted.
2022-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.
2022-IA-C	Travel Expense – No expenditures of the Utility's money for travel expenses of spouses of Utility officials or employees were noted.
2022-IA-D	Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
2022-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.
2022-IA-F	Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
2022-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.
2022-IA-H	Revenue Bonds – No instances of noncompliance with the provisions of the Utility's revenue bond resolutions were noted.
2022-IA-I	Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
2022-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.



Cedar Falls Utilities

Financial Statements of the Municipal Water Utility of the City of Cedar Falls, Iowa

Including Independent Auditors' Reports

For The Years Ended December 31, 2022 and 2021

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA (Component Unit of the City of Cedar Falls, Iowa)

Table of Contents

Independent Auditors' Report	
Management Discussion and Analysis	1
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Schedule of the Utility's Proportionate Share of the Net Pension Liability – Iowa Public Employee's Retirement System	33
Schedule of the Utility's Contributions – Iowa Public Employee's Retirement System	34
Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes	36
Independent Auditors' 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	37
Schedule of Findings Related to Government Auditing Standards and Required Statutory	39



Independent Auditor's Report

To the Board of Trustees Cedar Falls Utilities, Municipal Water Utility

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Water Utility of the City of Cedar Falls, Iowa (Municipal Water Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Municipal Water 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 Municipal Water Utility, as of December 31, 2022, and 2021, the respective changes in financial position, and 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 Municipal Water 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 14 to the financial statements, the Municipal Water Utility has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2022. Accordingly, a restatement has been made to the Municipal Water Utility's net position as of January 1, 2021, to restate beginning net position. 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 Municipal Water 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 the Municipal Water 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 the Municipal Water 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, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of the Municipal Water 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 Municipal Water 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 Municipal Water Utility's internal control over financial reporting and compliance.

Este Bailly LLP

Dubuque, Iowa
May 25, 2023

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

The following financial analysis and condensed statements of the Municipal Water Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2022 and 2021. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

Management's discussion and analysis (MDA) serves as an introduction to the financial statements, and the MDA represents management's examination and analysis of the Utility's financial condition and performance. The financial statements report information about the Utility using full accrual accounting methods as utilized by similar entities in the private sector.

The statements of net position include the Utility's assets and deferred outflows of resources, liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and flexibility of the Utility.

The statements of revenues, expenses and changes in net position present the results of the Utility's activities (revenues and expenses) over the course of the fiscal year and can provide information about the Utility's recovery of its costs. Retail rates are established by the Board of Trustees and based on operating costs, debt service requirements, and anticipated capital needs. A fundamental objective of this rate model is to provide adequate revenue to cover all costs.

The statements of cash flows present cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities and investing activities. This statement provides answers to such questions as where the cash came from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements. Please see the notes to the financial statements for more information.

The Utility adopted GASB 87 effective January 1, 2022. Statement No. 8, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings or the right to use another entity's nonfinancial asset. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Beginning fiscal year 2021 net position was retroactively restated to include lease assets, liabilities, and deferred inflows of resources. The effect of implementation on net position is detailed in Note 14.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Utility Financial Analysis

Condensed Statement of Net Position

	2022	2021	2022	2020	2021
		(Restated)	Change	(Not Restated)	Change
Net Capital Assets	\$35,102,348	\$34,035,166	1,067,182	\$33,769,622	265,544
Noncurrent Assets	4,605,905	5,042,069	(436,164)	882,310	4,159,759
Current Assets	8,575,565	7,734,125	841,440	6,244,886	1,489,239
Deferred Outflows of Resources	186,121	192,190	(6,069)	286,426	(94,236)
Total Assets and Deferred Outflows of Resources	\$48,469,939	\$47,003,550	1,466,389	\$41,183,244	5,820,306
Current Liabilities	473,274	657,613	(184,339)	987,394	(329,781)
Noncurrent Liabilities	1,045,265	297,167	748,098	1,701,680	(1,404,513)
Deferred Inflows of Resources	5,071,764	6,474,257	(1,402,493)	941,242	5,533,015
Total Liabilities and Deferred Inflows of Resources	6,590,303	7,429,037	(838,734)	3,630,316	3,798,721
Net Position					
Net Investment in Capital Assets	35,097,963	34,029,290	1,068,673	33,769,623	259,667
Restricted	343,191	292,378	50,813	312,118	(19,740)
Unrestricted	6,438,482	5,252,845	1,185,637	3,471,187	1,781,658
Total Net Position	41,879,636	39,574,513	2,305,123	37,552,928	2,021,585
Total Liabilities, Deferred Inflows and Net Position	\$48,469,939	\$47,003,550	1,466,389	\$41,183,244	5,820,306

2022 Compared to 2021:

- Net Capital Assets: An increase due to more assets being placed into service. See Note 4 Capital Assets.
- Noncurrent Assets: The decrease is due to the maturity of lease related receivables.
- Current Assets: The increase is primarily due to more cash and investments held at year end.
- Noncurrent Liabilities: The increase is primarily due to an increase in net pension liability. See Note 7 Pension Plan IPERS.
- Deferred Inflows of Resource: The decrease is due to changes in net pension liability that affects pension related deferred inflows. See Note 7 -Pension Plan – IPERS.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021 Compared to 2020:

- ❖ Total assets and deferred outflows of resources increased \$5.8 million primarily due to:
 - Net capital assets increasing \$260,000 due to the completion of capital asset projects placed into service in 2021. See Note 4 – Capital Assets.
 - An increase in current assets of \$1.1 million primarily due to:
 - An increase of \$1.1 million in unrestricted cash and cash equivalents. For more information
 on the sources of this increase, see the Statement of Cash Flows.
 - A decrease of \$100,000 in unrestricted investments due to less holdings at year end.
 - An increase in short and long term lease receivables of \$4.6 million due to the implementation of GASB Statement 87, Leases. See Note 14.
- Total liabilities and deferred inflows of resources decreased \$3.8 million primarily due to:
 - A decrease of \$350,00 in accounts payable.
 - A decrease of \$1.4 million in Net Pension Liability. See Note 7 Pension Plan IPERS.
 - An increase of \$997,000 of Pension Related Deferred Inflows. See Note 7 Pension Plan IPERS.
 - An increase of \$4.5 million in Lease Related Deferred Inflows. See Note 14.

Condensed Revenues, Expenses and Changes in Net Position

	2022	2021 (Restated)	2022 Change	2020 (Not Restated)	2021 Change
Sales of Water	\$5,181,668	\$5,119,241	62,427	\$4,638,965	480,276
Other	508,390	487,224	21,166	404,902	82,322
Total Operating Revenues	5,690,058	5,606,465	83,593	5,043,867	562,598
Operation & Maintenance	1,952,217	1,524,586	427,631	1,694,135	(169,549)
Depreciation and Amortization	924,443	909,827	14,616	873,093	36,734
Services and Administrative	1,609,980	1,406,765	203,215	1,784,829	(378,064)
Total Operating Expenses	4,486,640	3,841,178	645,462	4,352,057	(510,879)
Total Non-Operating Revenues (Expenses)	323,382	235,823	87,559	245,269	(9,446)
Noncash Capital Contributions	778,323	20,475	757,848	742,137	(721,662)
Change in Net Position	2,305,123	2,021,585	283,538	1,679,216	342,369
Net Position, Beginning of Year, as Restated	39,574,513	37,552,928	2,021,585	35,873,712	1,679,216
Net Position, End of Year	\$41,879,636	\$39,574,513	2,305,123	\$37,552,928	2,021,585

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2022 Compared to 2021:

- Total operating revenues was mostly flat due to a 11% overall decrease in water usage offset by a 9.5% base rate increase.
- Total operating expenses increased primarily due to an increase in street repairs related to water mains.
- Increase in services and administrative primarily due an increase in pension expense. See Note 7 Pension Plan – IPERS.

2021 Compared to 2020:

- Total operating revenues increased \$563,000 due to:
 - An increase in water sales revenues of \$480,000 due to increased usage across all customer classes and an average 5.8% base rate increase.
 - An increase in other operating revenues of \$29,000 primarily due to an increase in rent from water property.
- Total operating expenses decreased \$511,000 due to:
 - A decrease of \$258,000 in expenses relating to installations on customer's premises.
 - An increase in meter, power and maintenance expenses of \$119,000.
 - A decrease of \$407,000 of pension related expenses. See Note 7 Pension Plan IPERS.

Condensed Statement of Cash Flows

	2022	2021	2022 Change	2020	2021 Change
Cash Flows from					
Operating Activities	\$2,072,143	\$1,933,797	138,346	\$1,867,683	66,114
Capital and Related Financing Activities	(1,324,166)	(941,808)	(382,358)	(2,572,208)	1,630,400
Investing Activities	(537,060)	95,085	(632,145)	(93,703)	188,788
Net Change in Cash and Cash Equivalents	210,917	1,087,074	(876,157)	(798,228)	1,885,302
Cash and Cash Equivalents - Beginning of Year	6,350,270	5,263,196	1,087,074	6,061,424	(798,228)
Cash and Cash Equivalents - End of Year	\$6,561,187	\$6,350,270	210,917	\$5,263,196	1,087,074

2022 Compared to 2021:

- Cash inflows from operating activities primarily increased due to increased cash received from customers mostly due to an increase in operating revenue.
- Cash outflows from capital and related financing activities increased due to more capital asset purchases in 2022.
- Cash outflows for investing activities increased because of more excess cash invested due to higher interest rates.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021 Compared to 2020:

- **Cash inflows from operating activities increased by \$66,000 primarily due to:**
 - An increase in cash received from customers of \$537,839
 - A decrease in cash of \$472,000 from payments to suppliers.
- Cash outflows from capital and related financing activities decreased \$1.6 million primarily due to a decrease in payments from capital asset construction.
- Cash from investing activities changed \$189,000 after a switch from outflow to inflow for less funds invested at year end.

Utility Capital Assets Activity

On December 31, 2022, the Utility had \$35.1 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2022 included installation of mains, valves, meters, and main replacements in conjunction with city road projects.

On December 31, 2021, the Utility had \$34.0 million, as restated, in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2021 included installation of mains, valves, meters, and main replacements in conjunction with city road projects as well as security upgrades.

Utility Debt Activity

There are no debt holdings for 2022 and 2021.

Utility Changes to Future Financial Statements

Effective January 1, 2023, the Board of Trustees approved a 9.5% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$496,000.

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Net Position

December 31, 2022 and 2021

Assets		<u>2022</u>	<u>2021</u> (Restated)
Capital assets: (note 4)			
Capital assets, in service	\$	50,413,903	\$ 48,321,477
Less accumulated depreciation / amortization		15,348,250	 14,646,835
Net capital assets in service		35,065,653	33,674,642
Construction work in progress		36,695	 360,524
Net capital assets		35,102,348	34,035,166
Noncurrent assets:			
Lease receivable (note 5)		3,723,595	4,159,759
Other (note 9)		882,310	882,310
Total noncurrent assets		4,605,905	 5,042,069
Current assets:			
Cash and cash equivalents - unrestricted (note 3)		6,261,414	6,055,992
Cash and cash equivalents - restricted (note 2 and 3)		299,773	294,278
Investments - unrestricted (note 3)		578,991	
Investments - restricted (note 2 and 3)		68,219	30,000
Receivables:		·	•
Customer accounts, less allowance for doubtful			
accounts of \$4,700 in 2022 and \$4,000 in 2021		642,498	678,140
Lease receivable (note 5)		436,164	429,311
Interest		2,130	64
Other		27,100	48,536
Material and supplies		157,554	130,732
Prepayments and other		101,722	67,072
Total current assets	•	8,575,565	7,734,125
Total assets		48,283,818	46,811,360
Deferred outflows of resources			
Pension related (note 7)		143,970	153,115
OPEB related (note 11)		42,151	39,075
Total deferred outflows of resources		186,121	 192,190
Total assets and deferred outflows of resources	\$	48,469,939	 47,003,550

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Net Position

December 31, 2022 and 2021

		2022		<u>2021</u> (Restated)
Liabilities				
Current liabilities:	ф	252 524	ф	440 500
Accounts payable	\$	273,721	\$	448,508
Accrued wages and vacations		196,139		206,441
Other accrued expenses		1,923		1,173
Lease agreements (note 6) Total current liabilities		1,491		1,491
Total current habilities		473,274		657,613
Noncurrent liabilities: (note 6)				
Lease related (note 6)		2,895		4,385
Net pension liability (note 7)		776,483		28,238
Other liabilities		265,887		264,544
Total noncurrent liabilities		1,045,265		297,167
Total liabilities		1,518,539		954,780
Deferred inflows of resources				
Lease related		4,066,563		4,535,831
OPEB related (note 11)		7,239		4,507
Pension related (note 7)		115,652		1,051,609
TIF related (note 9)		882,310		882,310
Total deferred inflows of resources		5,071,764		6,474,257
Total liabilities and deferred inflows of resources		6,590,303		7,429,037
Net Position				
Net investment in capital assets		35,097,963		34,029,290
Restricted		343,191		292,378
Unrestricted		6,438,482		5,252,845
Total net position		41,879,636	-	39,574,513
	ı.	10.145-5-1		
Total liabilities, deferred inflows of resources and net position		48,469,939	\$	47,003,550

This Page Intentionally Left Blank

$\label{eq:municipal} \textbf{MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA}$

(A Component Unit of the City of Cedar Falls, Iowa)

${\bf Statements\ of\ Revenues,\ Expenses\ and\ Changes\ in\ Net\ Position}$

Years ended December 31, 2022 and 2021

On exerting very enurgy		<u>2022</u>	ı	2021
Operating revenues: Sales of water:			+	(Restated)
Residential	\$	3,683,991	\$	3,640,094
Industrial	ф	67,758	Ψ	58,607
Commercial		1,165,803		1,127,848
Governmental (note 9)		241,796		263,825
Interdepartmental		22,320		28,867
Total sales of water		5,181,668		5,119,241
Other operating revenues		508,390		487,224
Total operating revenues		5,690,058		5,606,465
Total operating revenues		3,090,036		3,000,403
Operating expenses				
Production:				
Purchased power from affiliated utility		184,641		184,956
Other		389,983		286,250
Distribution		1,377,593		1,053,380
Depreciation		924,443		909,827
Customer accounts		365,362		333,595
Customer service and informational		34,401		30,435
Sales		4,894		5,577
Administrative and general		1,081,070		926,882
Taxes other than income taxes		124,253		110,276
Total operating expenses		4,486,640		3,841,178
Operating income		1,203,418		1,765,287
Non-operating revenues (expenses):				
Interest income		80,755		5,111
Miscellaneous revenue (expense), net		223,255		218,757
AFUDC (note 1)		8,428		5,155
Contributed capital (note 9)		9,483		6,800
Net increase (decrease) in the fair value of investments		1,461		-
Total non-operating revenues (expenses)		323,382		235,823
Noncash Capital contributions		778,323		20,475
Change in net position		2,305,123		2,021,585
Net position, beginning of year, as restated (note 14)		39,574,513		37,552,928
Net position, end of year	\$	41,879,636	\$	39,574,513

See accompanying notes to financial statements.

(A Component Unit of the City of Cedar Falls, Iowa)

Statement of Cash Flows

Years ended December 31, 2022 and 2021

Cash flows from operating activities:		<u>2022</u>		<u>2021</u>
. 0	_		_	
Cash received from customers	\$	5,931,388	\$	5,721,697
Cash paid to suppliers Cash paid to employees		(2,815,164) (1,044,081)		(2,858,281)
Cash pard to emproyees		(1,044,061)		(929,619)
Net cash provided by operating activities	,	2,072,143		1,933,797
Cash flows from capital and related financing activities:				
Acquisition, construction and removal cost of capital assets		(1,349,291)		(977,723)
Proceeds from sale of capital assets		15,642		29,115
Reimbursement of utility construction costs		9,483		6,800
Net cash used in capital and related financing activities		(1,324,166)		(941,808)
Cash flows from investing activities:				
Proceeds from maturities of investment securities		30,000		120,000
Purchase of investment securities		(645,749)		(30,000)
Interest received		78,689		5,085
Net cash provided by / (used in) investing activities	·	(537,060)		95,085
Net increase in cash and cash equivalents		210,917		1,087,074
Cash and cash equivalents, beginning of year		6,350,270		5,263,196
Cash and cash equivalents, end of year (note 1)	\$	6,561,187	\$	6,350,270

(A Component Unit of the City of Cedar Falls, Iowa)

Statement of Cash Flows, Continued

Years ended December 31, 2022 and 2021

Reconciliation of operating income to net cash provided by operating activities		2022	2021 (Restated)
Operating income	\$	1,203,418	\$ 1,765,287
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization of capital assets		924,443	909,827
Other income (expense), net		223,255	218,756
(Increase) decrease in accounts receivable		57,078	(50,669)
(Increase) decrease in lease receivable		(39,957)	(53,239)
(Increase) decrease in inventories		(26,822)	(3,059)
(Increase) decrease in prepayments and other		(34,650)	(9,100)
Increase (decrease) in accounts payable		(47,490)	(545,409)
Increase (decrease) in accrued wages and vacation		(10,302)	18,823
Increase (decrease) in other accrued expenses		(157,741)	(302,866)
Increase (decrease) in other liabilities		(19,089)	 (14,554)
Net cash provided by operating activities	\$	2,072,143	\$ 1,933,797
Schedule of noncash investing, capital and financing activities: AFUDC Contributions from contractors in aid of construction		8,428 778,323	5,155 20,475
Reconciliation of cash and cash equivalents to			
statement of net position accounts: Cash and cash equivalents - unrestricted Cash and cash equivalents - restricted	\$	6,261,414 299,773	\$ 6,055,992 294,278
Cash and cash equivalents	\$\$	6,561,187	\$ 6,350,270

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

The Municipal Water Utility (Utility) of the City of Cedar Falls, Iowa is a separate and distinct city utility and is chartered under Iowa Code Section 388. The Utility is a component unit of the City of Cedar Falls. The Utility's rates are set by its governing board. The Utility follows the accounting practices prescribed through the Federal Energy Regulatory Commission for regulated utilities and proprietary fund accounting for governmental entities under accounting principles generally accepted in the United States of America.

The Utility, as a regulated utility, follows the Code of Federal Regulations Title 18 – Conservation of Power and Water Resources, Chapter I – Federal Energy Regulatory Commission, Department of Energy.

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 1.90% in 2022 and 1.65% 2021. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated service lives and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: infrastructure – 20 to 75 years, buildings and improvements – 40 to 75 years, and equipment – 6 to 40 years. The depreciation provisions were equivalent to an overall composite rate of 1.9% and 1.9% of depreciable assets for 2022 and 2021, respectively.

Capital assets may be contributed to the Utility by outside parties. As these assets are completed and placed in service, the utility reports the acquisition value of contributed capital on the date received in the statement of revenue, expenses, and changes in net position.

Replacements and betterments of capital assets are charged to capital assets. Routine maintenance and repairs are charged to expense as incurred. At the time capital assets are retired, the original cost of the asset plus cost of removal less salvage is charged to accumulated depreciation.

Leases

<u>Utility as Lessee:</u> The Utility is a lessee for several noncancellable lease agreements. The Utility has recognized a lease liability and an intangible right-to-use asset in the Utility's financial statements.

At the commencement of a lease, the Utility initially measures the lease liability as the value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lesser of the lease term or the useful life of the underlying asset starting at the commencement of the lease.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Leases, continued

<u>Utility as Lessor:</u> The Utility is a lessor for several noncancellable lease agreements. The Utility has recognized a lease receivable and a deferred inflow of resources in the Utility's financial statements. At the commencement of a lease, the Utility initially measures the lease receivable at the value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the lease term.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Cash and Investments

Investments are stated at their fair value except for the investment in the Iowa Public Agency Investment Trust (IPAIT) and non-negotiable certificates of deposits which are valued at amortized cost.

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) at December 31, 2022 and 2021 were \$279,159 and \$380,236, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are recorded at the invoiced amount and are reported net of allowances.

Inventories

Materials and supplies are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are consumed.

Prepayments

Prepayments are recorded at the beginning of an agreement for items that span a year or more and meet a minimum threshold. These items require payment at the beginning and are amortized over the life of the agreement. Current assets are amortized for one year from the beginning date. Noncurrent assets have a longer life and are amortized as needed per the terms of the agreement. The Utility incurs prepayments for things such as insurance coverages or licensing or maintenance of software and hardware. These agreements generally cover periods other than a calendar year and result in balances at year end.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, OPEB expense, and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Utility's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of tax increment financing receivables that will not be recognized as revenue until the year for which they are levied, unrecognized items not yet charged to pension expense, unrecognized other post-employment benefits (OPEB) expenses, and deferred inflows related to leases.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of government entities. Unrestricted net position consists of net positions that do not meet the definition of "net investment in capital assets" or "restricted."

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2022 and 2021 was as follows:

	2022		2021
Restricted for/by			
Health and Dental Insurance	\$ 343,191	\$	292,378

Operating Revenues and Expenses

Operating revenues include revenues resulting from the sale of water and service revenues. Operating expenses include expenses for power production, distribution, depreciation, customer accounts, customer service and informational, sales, and administrative and general. Non-operating revenues and expenses include those derived from capital and non-capital activities and investing activities.

Revenues from the sale of water are based on billing rates, which are applied to customers' consumption of water. The Utility records estimated unbilled revenue at the end of accounting periods. Revenues earned, but not yet billed as of December 31, 2022 and 2021, were \$214,307 and \$208,283, respectively, and are recorded in customer accounts receivable.

Capital Contributions

Contributions in aid of construction represent the actual cost of property contributed to the Utility and nonrefundable payments from consumers, which are used to partially offset the cost of the construction of additional capital assets.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. During 2022, there was a budget amendment of \$15,019,189 primarily due to the increased purchased power expenses for the Electric Utility and increased natural gas expenses for the Gas Utility. During 2021, there were budget amendments of \$23,720,732 in September and \$1,035,575 in November primarily due to the record-breaking prices of natural gas in February 2021. This is discussed in more detail in the Management's Discussion and Analysis section of Cedar Falls Utilities Municipal Gas Utility report.

Grants

The Water Utility has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Employee Benefits

Employee benefits for accumulated sick leave hours are not accrued as they are not payable to employees upon termination of service. Vacation hours are earned monthly and accruals are recorded as liabilities and unused vacation hours are paid upon termination of service. Accrued wages represents time employees worked during the calendar year but are unpaid at December 31.

The Water Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay shall apply only to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2022 and 2021, the accrued liability was \$107,014 and \$113,912, respectively.

Reclassifications

Reclassifications of prior year's amounts may have been made for comparability. These reclassifications had no impact on the change in net position or the total ending net position.

Implementation of GASB Statement No. 89

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements.

Implementation of GASB Statement No. 87

As of January 1, 2022 the Utility adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The impact to the Utility resulting in the reporting of lease receivables, right-to-use assets, lease liabilities, and deferred inflows of resources related to leases. The effect of the implementation of this standard on the beginning net position is disclosed in Note 14.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(2) Restricted Assets

The composition of restricted assets as of December 31, 2022 and 2021 was as follows:

2022	Cash	Investments		Cash Investments		Total
Current Assets - Restricted				 -		
Self Insured Dental	\$ 9,925	\$	-	\$ 9,925		
Self Insured Medical	289,848		68,219	358,067		
Total Current Assets - Restricted	299,773		68,219	367,992		
Total Restricted Assets	\$ 299,773	\$	68,219	\$ 367,992		
2021	Cash	Inv	estments	Total		
2021 Current Assets - Restricted	 Cash	Inv	estments	Total		
	\$ Cash 11,125	Inv \$	estments -	\$ Total 11,125		
Current Assets - Restricted	\$		- 30,000	\$		
Current Assets - Restricted Self Insured Dental	\$ 11,125		-	\$ 11,125		

Amounts deposited in the Self-Insured Medical and Dental fund may only be used for medical and dental reserves and expenses.

(3) Cash and Investments

The Utility is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility uses the fair value hierarchy established by generally accepted accounting principles 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.

Federal Agency Obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and other market assumptions (Level 2 inputs).

Interest Rate Risk

The Utility's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Investments, continued

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2022 or 2021. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2022 or 2021.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility's deposits are covered by federal depository insurance up to the insured limits or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial Credit Risk - Investments

For an investment, this 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 investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk with regards to investments since all investments were held by the Utility or its agent in the Utility's name.

2022

2021

Reconciliation to Financial Statements

A reconciliation of the Utility's total cash and investments to the statement of net position follows:

	 2022	2021
Petty cash	\$ 45	\$ 45
Checking & Sweep	3,887,847	3,125,559
Money markets	2,394,136	2,844,430
Carrying amount of IPAIT	279,159	380,236
Certificates of deposits	300,000	30,000
Carrying amount of federal agency obligations	 347,210	
Total	\$ 7,208,397	\$ 6,380,270
Current Assets Cash and cash equivalents - unrestricted Investments - unrestricted	\$ 6,261,414 578,991	\$ 6,055,992
Current assets unrestricted total	 6,840,405	 6,055,992
Cash and cash equivalents - restricted Investments - restricted Current assets restricted total	 299,773 68,219 367,992	294,278 30,000 324,278
Total per statement of net position	\$ 7,208,397	\$ 6,380,270
	·	 <u></u>

Of the unrestricted cash and investments listed above, the Board of Trustees of the Municipal Water Utility has made no reserve fund designations.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements December 31, 2022 and 2021

(4) **Capital Assets**

A summary of capital assets activity for the years ended December 31, 2022 and 2021 follows:

2022	Ве	estated, eginning Balance]	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:						
Land	\$	63,466	\$	-	\$ -	\$ 63,466
Construction work in progress		360,524		2,010,386	(2,334,215)	36,695
Total capital assets, not being depreciated		423,990		2,010,386	(2,334,215)	100,161
Capital assets, being depreciated/amortized:						
Infrastructure	4	4,117,816		2,245,729	(219,122)	46,144,423
Buildings and improvements		2,754,195		407	(3,848)	2,750,754
Equipment		1,379,133		88,079	(18,819)	1,448,393
Right-to-use leased assets		6,867			=	6,867
Total capital assets, being depreciated/amortized	4	8,258,011		2,334,215	(241,789)	50,350,437
Less accumulated depreciation/amortizati	on fo	r:				
Infrastructure	(1	3,326,171)		(840,560)	220,516	(13,946,215)
Buildings and improvements		(676,955)		(62,114)	3,848	(735,221)
Equipment		(642,729)		(40,446)	18,819	(664,356)
Right-to-use leased assets		(980)		(1,478)	-	(2,458)
Total accumulated depreciation/amortization	(1	4,646,835)		(944,598)	243,183	(15,348,250)
Total capital assets being depreciated/amortized, net	3	3,611,176		1,389,617	1,394	35,002,187
Net capital assets	\$ 3	4,035,166	\$	3,400,003	\$ (2,332,821)	\$ 35,102,348

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements

December 31, 2022 and 2021

(4) Capital Assets, continued

2021	Beg	ginning						Ending
(As Restated)	Ba	alance	I	ncreases	D	ecreases		Balance
Capital assets, not being depreciated:								
Land	\$	63,466	\$	-	\$	-	\$	63,466
Construction work in progress		14,360		1,203,735		(857,571)		360,524
Total capital assets, not being depreciated		77,826		1,203,735		(857,571)		423,990
Capital assets, being depreciated/amortized:								
Infrastructure	43	,410,716		767,517		(60,417)		44,117,816
Buildings and improvements	2	,744,137		42,787		(32,729)		2,754,195
Equipment	1	,372,468		47,267		(40,602)		1,379,133
Right-to-use leased assets		2,829		4,038		_		6,867
Total capital assets, being	4.7	,530,150		861,609		(133,748)		48,258,011
depreciated/amortized						(133,740)		
Less accumulated depreciation/amortization	on for	:						
Infrastructure	(12	,543,670)		(842,183)		59,682	(13,326,171)
Buildings and improvements		(647,788)		(61,895)		32,728		(676,955)
Equipment		(644,067)		(39,264)		40,602		(642,729)
Right-to-use leased assets		-		(980)		-		(980)
Total accumulated depreciation	(13	,835,525)		(944,322)		133,012	(14,646,835)
Total capital assets being depreciated/amortized, net	33	,694,625		(82,713)		(736)		33,611,176
Net capital assets	\$ 33	,772,451	\$	1,121,022	\$	(858,307)	\$	34,035,166

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(5) Lease Receivable

The Utility is lessor to multiple leases in which space upon water towers is leased for the placement of telecommunications equipment. The terms of each lease are unique in relation to payment due dates, rent escalation, renewal options, and termination clauses. Leases contain renewal options that allow, at the lessee's option, to continue leasing property under the terms of the original agreement, with rent escalations based on a fixed dollar amount, a fixed percentage, or CPI. The Utility believes with reasonable certainty that all renewal options will be exercised by the lessee in each lease. Termination dates, including the maximum number of renewals, range from 2025 – 2042. During the years ended December 31, 2022 and 2021, the Utility recognized revenue related to these agreements totaling \$469,267 and \$455,296 respectively. Total future minimum lease payments to be received under lessor agreements are as follows:

Fiscal Year Ended	Amount		
2023	\$	436,164	
2024		440,384	
2025		406,059	
2026		282,777	
2027		255,891	
2028 - 2033		1,137,983	
2034 - 2038		720,993	
Thereafter		479,508	
Total	\$	4,159,759	

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Long-Term Liabilities

Long-term liabilities activity for the years ended December 31, 2022 and 2021 was as follows:

	Res	stated,							Amounts
	Beg	inning						Ending	Due Within
2022	Ba	lance	Additions		Reductions		Reductions B		One Year
Net pension liability (note 7)	\$	28,238	\$	906,013	\$	157,768	\$	776,483	
Accrued severance	1	13,912		3,372		10,270		107,014	
OPEB (note 11)	1	50,632		24,148		15,907		158,873	•
Lease agreements		5,876		_		1,490		4,386	1,491
Total	\$ 2	98,658	\$	933,533	\$	185,435	\$	1,046,756	

					Amounts
2021	Beginning			Ending	Due Within
(Restated)	Balance	Additions	Reductions	Balance	One Year
Net pension liability (note 7)	\$1,439,658	\$ 222,874	\$1,634,294	\$ 28,238	
Accrued severance	112,392	35,239	33,719	113,912	
OPEB (note 11)	149,630	17,076	16,074	150,632	
Lease agreements	2,829	4,039	992	5,876	1,491
Total	\$ 1,704,509	\$ 279,228	\$1,685,079	\$ 298,658	

Lease Agreements

The Utility has entered into agreements that leases other entity's non-financial assets. A lease liability is established at the commencement of these leases and initially measured at the value of the payments expected to be made during the lease term. Total future minimum lease payments to be paid under lessee agreements are as follows:

	Fiscal Year Ended	An	iount
2023		\$	1,491
2024			1,491
2025			991
2026			413
Total		\$	4,386

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Water Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. 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.com.

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.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Plan Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 members first month of entitlement 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 percent 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 percent 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 payment.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or lump-sum payments equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, because of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. 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.

In fiscal year 2022 and 2021 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2022 and 2021 were \$161,813 and \$152,789, respectively.

There were no non-employer contributing entities at IPERS.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At December 31, 2022 and 2021, the Utility reported a liability of \$776,483 and \$28,238, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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 Regular Membership IPERS participating employers. On June 30, 2022, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.020552 percent, which was an increase of 0.028731 percent from its proportion measured as of June 30, 2021 of -0.008180 percent.

For the years ended December 31, 2022 and 2021, the Utility recognized pension expense of (\$16,754) and (\$167,042), respectively. At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	202	22		2021			
	eferred	of Inflows of		Deferred Outflows of		of Inflows of	
	 itflows of						
Differences between expected and actual experience	\$ 34,421	\$	10,636		21,486		21,574
Changes of assumptions	659		19		18,471		-
Net difference between projected and actual earnings on pension plan investments	-		83,120		-		1,023,159
Changes in proportion and differences between Utility's contributions and proportionate share of contributions	27,902		21,877		37,803		6,876
Utility's contributions subsequent to the measurement date	80,988		-		75,355		-
Total	\$ 143,970	\$	115,652	\$	153,115	\$	1,051,609

\$80,988 reported as deferred outflows of resources related to pensions resulting from the Utility's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	20	022	2021
December 31, 2023	\$ (70,021)	\$ (241,009)
December 31, 2024	(52,202)	(222,659)
December 31, 2025	(98,279)	(270,062)
December 31, 2026	1	68,035	4,264
December 31, 2027		(203)	na

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation: (effective June 30, 2017)	2.60 percent per annum
Rates of salary increase: (effective June 30, 2018)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return: (effective June 30, 2017)	7.0 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum based on 2.60 percent inflation And 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2022 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 Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Report 2022 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	3.57%
International Equity	17.5%	4.79%
Global smart beta equity	6.0%	4.16%
Core-plus Fixed Income	20.0%	1.66%
Public Credit	4.0%	3.77%
Cash	1.0%	0.77%
Private Equity	13.0%	7.57%
Private Real Assets	8.5%	3.55%
Private Credit	8.0%	_ 3.63%
Total	100%	=

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>

The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	Decrease Rate Incre		Decrease Rate		1% Increase (8.0%)	
Utility's proportionate share of the net pension liability/(asset) at 6-30-22	\$	1,530,721	\$	776,483	\$	196,651
	I	1% Decrease (6.0%)		Discount Rate (7.0%)		1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-21	\$	1,052,423	\$	28,238	\$	(827,343)

Pension Plan Fiduciary Net Position

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.

Payables to the Pension Plan

At December 31, 2022 and 2021, the Utility reported a payable of \$19,591 and \$17,737, respectively to the defined benefit pension plan for legally required employer contributions and a payable of \$8,623 and \$7,826, respectively for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

(8) Income Tax Status

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

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(9) Related Party Transactions

The Utility provides water service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$104,385 and \$129,614 in 2022 and 2021, respectively. The Utility also reimburses the City for water infrastructure project costs. In 2022 and 2021, these costs were \$1,052,147 and \$764,255, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2022 to reimburse the Water Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This other receivable, with an outstanding balance of \$882,310 and \$882,310 as of December 31, 2022 and 2021, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources at December 31, 2022 and 2021 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$0 and \$0 in 2022 and 2021, respectively, and is recorded as contributed capital in the statements of revenues, expenses and changes in net position.

The Utility also provides billing and collection services to the City for the City's sanitary sewer system, storm water reclamation fees, and garbage and refuse service. Revenues from the service provided amounted to \$221,100 in 2022 and \$215,160 in 2021 and are recorded in miscellaneous non-operating revenue.

(10) Risk Management

The Cedar Falls Municipal Electric, Gas, Water, and Communications Utilities (Utilities) are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utilities purchase commercial insurance for claims related to these risks.

The Utilities maintain a risk management account for risks related to their self-insured medical insurance plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2022 plan year for aggregate medical claims exceeding \$3.5 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. The estimate is based on a percentage of claims unpaid at year end considering the Utilities claims payment history. Changes in the balances of the Utilities liabilities during the past two years are as follows:

	 2022	 2021	
Unpaid claims and IBNR, beginning of year	\$ 264,900	\$ 353,300	
Current year costs including IBNR	3,458,317	3,946,015	
Claims paid	(3,517,317)	 (4,034,415)	
Unpaid claims and IBNR, end of year	\$ 205,900	\$ 264,900	

The Water Utility has recorded \$24,800 and \$31,900 in accounts payable for its share of these unpaid claims and IBNR on December 31, 2022 and 2021, respectively.

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 533 governmental entities participate in the Association as of June 30, 2022. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(10) Risk Management, continued

The following table sets forth summarized financial data of the Association as of and for its years ended June 30, 2022 and 2021:

	 2022	2021
Cash and cash equivalents and investments	\$ 104,478,083	\$ 103,818,736
Receivables	3,685,168	3,894,777
Other assets	 4,036,525	 3,154,581
Total assets	\$ 112,199,776	\$ 110,868,094
`		
Total liabilities	\$ 43,004,095	\$ 38,339,333
Total net position	 69,195,681	 72,528,761
Total liabilities and net position	\$ 112,199,776	\$ 110,868,094
Total revenues	\$ 18,825,373	\$ 18,174,755
Total expenses	 22,158,453	16,155,593
Net increase (decrease) in net position	\$ (3,333,080)	\$ 2,019,162

There have been no instances where the amount of settlement has exceeded available coverage in the past three years. There has been no significant reduction in insurance coverage in the prior year.

(11) Other Post-Employment Benefits (OPEB)

Plan Description

The Utilities administers a single-employer benefit plan (the Plan) for all four utilities which provides medical, vision, prescription drug and dental benefits to all active and retired employees and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must be a minimum of 55 years old, apply for a bona fide retirement under IPERS, and are enrolled in the Utility's insurance plan at the time of retirement. Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides a \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

At November 1, 2021, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	78
Active members	_184
	262

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,765,280 and \$1,673,707 was measured as of December 31, 2022 and December 31, 2021, respectively, and was determined by an actuarial valuation as of January 1, 2022 and January 2020, respectively.

At December 31, 2022 and 2021, the Utility reported a liability of \$158,873 and \$150,632, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2022)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2022)	4.00%	per annum.
Discount rate		
(effective January 1, 2022)	2.06%	per annum.
Healthcare cost trend rate		
(effective January 1, 2022)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.06% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2016 with MP 2021 generational projection of future mortality improvement.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

Changes in the Total OPEB Liability

	2022 Total OPEB Liability	2021 Total OPEB Liability
Utility's share of total OPEB liability beginning of year Changes for the year:	\$ 150,632	\$ 149,630
Changes in Utility's proportion	-	-
Service cost	9,222	7,429
Interest	3,287	4,158
Changes of benefit terms	1,634	-
Difference between expected and actual experiences	(3,716)	5,489
Changes in assumptions	10,005	-
Benefit payments	(12,191)	(16,074)
Net changes	8,241	1,002
Utility's share of total OPEB liability end of year	\$ 158,873	\$ 150,632

Changes of assumptions reflect a change in the discount rate from 2.74% in fiscal year 2020 to 2.06% in fiscal year 2022.

Sensitivity of the Utility's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.06%) or 1% higher (3.06%) than the current discount rate.

	De	1% crease .06%)	-	iscount Rate 2.06%)	1% Increase (3.06%)		
Utility's share of total OPEB liability at December 31, 2022	\$	174,477	\$	158,873	\$	145,234	
	1%		Discount			1%	
		170	υ	iscount		1 %0	
	De	crease	_	Rate		ncrease	
Utility's share of total OPEB liability at	De		_				

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	Healthcare						
		1%	Co	st Trend		1%	
	Decrease			Rate	I	ncrease	
		4.00%)	(!	5.00%)	(6.00%)		
Utility's share of total OPEB liability at December 31, 2022	\$	145,337	\$	158,873	\$ 175,14		
			He	althcare			
		1%	Co	st Trend	1%		
	D	ecrease		Rate	Increase		
	((4.50%)		5.50%)	((6.50%)	
Utility's share of total OPEB liability at December 31, 2021	\$	138,918	\$	150,632	\$	164,567	

<u>OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

At December 31, 2022 and 2021, the Utility recognized OPEB expense of \$20,088 and \$16,907, respectively.

At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows related to OPEB from the following sources:

		20	22		2021			
	D	eferred	D	eferred	D	eferred	Deferred	
	Outflows of		Outflows of Inflows of		0u	tflows of	Inf	lows of
	Re	esources Resources			Re	sources	Resources	
Difference between expected and actual experience	\$	20,517	\$	7,239	\$	24,292	\$	4,507
Changes in assumptions		21,634		_		14,783		-
	\$	42,151	\$	7,239	\$	39,075	\$	4,507

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

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

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year-ending	2022		2021		
December 31,	Amount	A	mount		
2022	N/A	\$	5,320		
2023	\$ 5,945		5,320		
2024	5,945		5,320		
2025	5,945		5,320		
2026	5,945		5,320		
2027	5,945		5,320		
Thereafter	 5,187		2,648		
	\$ 34,912	\$	34,568		

(12) Commitments and Contingencies

As of December 31, 2022, the Utility engaged in several construction projects scheduled to be completed in 2023 with an estimated cost to complete of \$2,117,000.

(13) Subsequent Events

Subsequent events for the Utility have been evaluated through May 25, 2023, which is the date that the financial statements were available to be issued.

Effective January 1, 2023, the Board of Trustees approved a 9.5% base rate increase.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As a result of adopting GASB Statement No. 87, *Leases*, in fiscal year 2022, the beginning net position was restated to retroactively report the change in value of assets previously reported as capital leases as follows:

Net position December 31, 2020, as previously reported	\$ 37,552,928
Add lease receivable under GASB No. 87 at	
December 31, 2020	4,878,048
Less deferred inflow of resources under GASB No. 87	
at December 31, 2020	(4,878,048)
Add lease asset under GASB No. 87 at December 31, 2020	2,829
Less lease liability under GASB No. 87 at December 31, 2020	(2,829)
Net position January 1, 2021, as restated	\$ 37,552,928

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Utilities Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

	2022	2021	2020	2019	2018
Utility's proportion of the net pension liability (asset)	0.020552%	-0.008180%	0.020494%	0.020078%	0.019197%
Utility's proportionate share of the net pension liability	\$ 776,483	\$ 28,238	\$ 1,439,658	\$ 1,162,652	\$ 1,214,860
Utility's Covered payroll	\$ 1,654,447	\$ 1,634,886	\$ 1,625,799	\$ 1,528,017	\$ 1,443,438
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	46.93%	1.73%	88.55%	76.09%	84.16%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%	83.62%
	2017	2016	2015	2014	-
Utility's proportion of the net pension liability (asset)	2017 0.019373%	2016 0.020227%	2015 0.020075%	2014 0.021166%	-
			0.020075%		
(asset) Utility's proportionate share of the net pension	0.019373%	0.020227%	0.020075% \$ 991,800	0.021166%	-
(asset) Utility's proportionate share of the net pension liability	0.019373% \$ 1,290,460	0.020227%	0.020075% \$ 991,800	0.021166% \$ 839,411	

^{*} The amounts presented for each fiscal year 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 ten-year trend is compiled, the Utilities will present information for those years for which information is available.

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information December 31, 2022 and 2021

Schedule of Utility's Contributions Iowa Public Employees' Retirement System Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 161,813	\$ 152,789	\$ 156,881	\$ 147,397	\$ 138,638
Contributions in relation to the statutorily required contribution	(161,813)	(152,789)	(156,881)	(147,397)	(138,638)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 1,714,116	\$ 1,618,531	\$ 1,661,876	\$ 1,561,414	\$ 1,509,942
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.18%
	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 127,355	\$ 128,351	\$ 122,107	\$ 130,414	\$ 116,692
Contributions in relation to the statutorily required contribution	(127,355)	(128,351)	(122,107)	(130,414)	(116,692)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Htility's covered payrell	¢ 1 426 144	¢ 1 427 202	¢ 1 267 202	¢ 1 460 400	¢ 1 227 F00
Utility's covered payroll	\$ 1,426,144	\$ 1,437,302	\$ 1,367,383	\$ 1,460,408	\$ 1,326,580
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.80%

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Notes to Required Supplemental Information Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant change in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement dates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination dates for all members.

The 2018 valuation, which is used to determine the contribution rates effective July 1, 2019, incorporated the following refinements after a demographic assumption study:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation, which is used to determine the contribution rates effective July 1, 2018, incorporated the following refinements after an economic assumption study:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the investment return assumption from 7.50 percent to 7.00 percent
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 2- year period.

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Changes in the Total OPEB Liability, Related Ratios and Notes

		2022	2021			2020	2019			2018
Service cost	\$	9,222	\$	7,429	\$	7,143	\$	5,800	\$	5,576
Interest		3,287		4,158		4,153		4,781		4,727
Changes of benefit terms		1,634		-		-		-		-
Difference between expected and actual experiences		(3,716)		5,489		(1,147)		(3,836)		32,256
Changes in assumptions		10,005		_		8,728		-		13,001
Benefit payments		(12,191)		(16,074)		(8,503)		(5,199)		(13,407)
Net change in Utility's share of total OPEB liability		8,241		1,002		10,374		1,546		42,153
Utility's share of total OPEB liability beginning of year		150,632		149,630		139,256	-	137,710		95,557
Utility's share of total OPEB liability end of year	\$	158,873	\$	150,632	\$	149,630	\$	139,256	\$	137,710
Covered-employee payroll	\$ 1	1,645,268	\$	1,558,909	\$:	1,509,079	\$	1,481,674	\$:	1,441,494
Utility's share of total OPEB liability as a percentage of covered-employee payroll		9.66%		9.66%		9.92%		9.40%		9.55%

Notes to Schedule of Changes in Utility's Total OPEB Liability and Related Ratios

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

No assets are accumulated in a trust that meets the criteria is paragraph 4 of GASB Statement No. 75.

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2022 2.06% Year ended December 31, 2021 2.74% Year ended December 31, 2020 2.74% Year ended December 31, 2019 3.44% Year ended December 31, 2018 3.44% Year ended December 31, 2017 5.00%



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 Cedar Falls Utilities, Municipal Water Utility Cedar Falls, 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, the financial statements of the Municipal Water Utility of the City of Cedar Falls (Municipal Water Utility) as of and for the year ended December 31, 2022, and related notes to the financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Water 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 Municipal Water Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Water 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Water 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 Municipal Water Utility's operations for the year ended December 31, 2022, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Water 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.

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 May 25, 2023

Esde Saelly LLP

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 2022.

Part III: Other Findings Related to Required Statutory Reporting:

2022-IA-A	Certified Budget – Disbursements during the year ended December 31, 2022, did not exceed the amount budgeted.
2022-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.
2022-IA-C	Travel Expense – No expenditures of the Utility's money for travel expenses of spouses of Utility officials or employees were noted.
2022-IA-D	Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
2022-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.
2022-IA-F	Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
2022-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.
2022-IA-H	Revenue Bonds – No instances of noncompliance with the provisions of the Utility's revenue bond resolutions were noted.
2022-IA-I	Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
2022-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.



Cedar Falls Utilities

Financial Statements of the Municipal Communications Utility of the City of Cedar Falls, Iowa

Including Independent Auditors' Reports

For The Years Ended December 31, 2022 and 2021

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (Component Unit of the City of Cedar Falls, Iowa)

Table of Contents

Independent Auditors' Report	
Management Discussion and Analysis	1
Statements of Net Position	ć
Statements of Revenues, Expenses and Changes in Net Position	Ģ
Statements of Cash Flows	10
Notes to Financial Statements	12
Schedule of the Utility's Proportionate Share of the Net Pension Liability – Iowa Public Employee's Retirement System	34
Schedule of the Utility's Contributions – Iowa Public Employee's Retirement System	35
Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes	37
Independent Auditors' 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	38
Schedule of Findings Related to Government Auditing Standards and Required Statutory Reporting	40



Independent Auditor's Report

To the Board of Trustees Cedar Falls Utilities, Municipal Communications Utility

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Communications Utility of the City of Cedar Falls, Iowa (Municipal Communications Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Municipal Communications 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 Municipal Communications Utility, as of December 31, 2022, and 2021, the respective changes in financial position, and 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 Municipal Communications 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 14 to the financial statements, the Municipal Communications Utility has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Accordingly, a restatement has been made to the Municipal Communications Utility's net position as of January 1, 2021, to restate beginning net position. 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 Municipal Communications 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 the Municipal Communications 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 the Municipal Communications 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, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of the Municipal Communications 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 Municipal Communications 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 Municipal Communications Utility's internal control over financial reporting and compliance.

Side Bailly LLP

Dubuque, Iowa
May 25, 2023

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

The following financial analysis and condensed statements of the Municipal Communications Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2022 and 2021. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

Management's discussion and analysis (MDA) serves as an introduction to the financial statements, and the MDA represents management's examination and analysis of the Utility's financial condition and performance. The financial statements report information about the Utility using full accrual accounting methods as utilized by similar entities in the private sector.

The statements of net position include the Utility's assets and deferred outflows of resources, liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and flexibility of the Utility.

The statements of revenues, expenses and changes in net position present the results of the Utility's activities (revenues and expenses) over the course of the fiscal year and can provide information about the Utility's recovery of its costs. Retail rates are established by the Board of Trustees and based on operating costs, debt service requirements, and anticipated capital needs. A fundamental objective of this rate model is to provide adequate revenue to cover all costs.

The statements of cash flows present cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities and investing activities. This statement provides answers to such questions as where the cash came from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period, aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements. Please see the notes to the financial statements for more information.

The Utility adopted GASB 87 effective January 1, 2022. Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings or the right to use another entity's nonfinancial asset. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Beginning fiscal year 2021 net position was retroactively restated to include lease assets, liabilities, and deferred inflows of resources. The effect of implementation on net position is detailed in Note 14.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

Utility Financial Analysis

Condensed Statement of Net Position

	2022	2021 (Restated)	2022 Change	2020 (Not Restated)	2021 Change
Current Assets	\$26,065,614	\$24,103,659	1,961,955	\$19,940,958	4,162,701
Noncurrent Assets	181,648	138,832	42,816	96,990	41,842
Net Capital Assets	28,919,406	25,837,514	3,081,892	24,805,881	1,031,633
Deferred outflows of resources	406,723	409,204	(2,481)	588,284	(179,080)
Total Assets and Deferred Outflows of Resources	\$55,573,391	\$50,489,209	5,084,182	\$45,432,113	5,057,096
Current Liabilities	2,245,493	1,995,922	249,571	1,481,163	514,759
Noncurrent Liabilities	2,586,799	909,958	1,676,841	3,450,583	(2,540,625)
Deferred Inflows of Resources	1,094,390	3,106,416	(2,012,026)	216,415	2,890,001
Total Liabilities and Deferred Inflows of Resources	5,926,682	6,012,296	(85,614)	5,148,161	864,135
Net Position					
Net Investment in Capital Assets	28,526,955	25,445,672	3,081,283	24,805,880	639,792
Restricted	635,263	548,455	86,808	560,683	(12,228)
Unrestricted	20,484,491	18,482,786	2,001,705	14,917,389	3,565,397
Total Net Position	49,646,709	44,476,913	5,169,796	40,283,952	4,192,961
Total liabilities, deferred inflows and net position	\$55,573,391	\$50,489,209	5,084,182	\$45,432,113	5,057,096

2022 Compared to 2021:

- Current assets, increase primarily due to:
 - Reduction in cash of \$5.9 million. This is due to more investments held at year end.
 - Increase in investments of \$6.0 million.
 - Increase in grant related receivables of \$908,000 due to work being completed related to the Empower Rural Iowa Broadband Grant Program.
 - Increase in materials and supplies of \$1.0 million due to material build up related to the Empower Rural Iowa Broadband Grant Program.
- Net capital assets increased due to new asset being placed into service. See Note 4 Capital Assets.
- Noncurrent liabilities increase of \$1.7 million is primarily from an increase in net pension liability. See Note 7 Pension Plan IPERS.
- Deferred inflows of resources decreased \$2.0 million due to changes in pension related deferred inflows. See Note 7 – Pension Plan – IPERS.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021 Compared to 2020:

- ❖ Total assets and deferred outflows of resources increased \$5.1 million primarily due to:
 - An increase of \$5.5 million in unrestricted cash. For more information on the sources of this increase, see the Statement of Cash Flows.
 - A decrease of \$1.6 million in unrestricted investments due to less holdings at year end.
 - An increase of \$210,000 in prepayments.
- * Total liabilities and deferred inflows of resources decreased \$864,000 primarily due to:
 - An increase of \$393,000 in accounts payable due to timing of payments at year end.
 - A decrease of \$2.9 million in net pension liability. See Note 7 Pension Plan IPERS.
 - An increase of \$2.1 million of deferred inflows related to pensions. See Note 7 Pension Plan IPERS.
 - An increase of \$1.2 million due lease liabilities and lease related deferred inflows related to the implementation of GASB 87.

Condensed Revenues, Expenses and Changes in Net Position

<u> </u>	2022	2021 (Restated)	2022 Change	2020 (Not Restated)	2021 Change
Cable System Revenues	\$8,899,665	\$9,365,674	(466,009)	\$9,946,942	(581,268)
Data System Revenues	13,106,100	12,547,166	558,934	11,966,000	581,166
Other	245,692	149,871	95,821	91,091	58,780
Total Operating Revenues	22,251,457	22,062,711	188,746	22,004,033	58,678
Operation & Maintenance	10,649,428	10,626,344	23,084	10,172,042	454,302
Depreciation and Amortization	4,002,446	3,593,229	409,217	3,572,442	20,787
Sales, Customer Service, Corporate Operations	3,563,206	3,125,195	438,011	3,812,735	(687,540)
Total Operating Expenses	18,215,080	17,344,768	870,312	17,557,219	(212,451)
Total Non-Operating Revenues (Expenses)	1,133,419	204,078	929,341	73,028	131,050
Change in Net Position	5,169,796	4,922,021	247,775	4,519,842	402,179
Net Position, Beginning of Year, as Restated	44,476,913	39,554,892	4,922,021	35,764,110	3,790,782
Net Position, End of Year	\$49,646,709	\$44,476,913	5,169,796	\$40,283,952	4,192,961

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2022 Compared to 2021:

- Cable system revenues decreased due to a decrease of 718 subscribers. Some revenue decrease from subscriber loss was offset by cable rate increases.
- Data systems revenue increased due to an increase of 387 subscribers.
- Total operating expenses increased \$870,000 due to:
 - An increase in depreciation and amortization expense of \$410,000 due to more assets being placed into service.
 - A decrease of \$350,000 in cable programming expense from decreased subscriber counts.
 - An increase in pension related expense of \$531,000. See Note 7 Pension Plan IPERS.

2021 Compared to 2020:

- Total operating revenues increased \$12,000 due to:
 - A decrease in cable system revenues of \$581,000 due to a decrease of 641 subscribers.
 - An increase in data system revenues of \$581,000 mostly due to an increase of 609 data subscribers.
- Total operating expenses decreased \$213,000 primarily due to:
 - An increase of \$282,000 in expenses related to wiring at customer premises.
 - A decrease of \$654,000 of pension expense. See Note 7 Pension Plan IPERS.
- Total non-operating revenue (expenses) increased \$131,000 primarily due to an increase of contributed capital of \$152,000.

Condensed Statement of Cash Flows

	2022	2021	2022 Change	2020	2021 Change
Cash Flows from			N25		
Operating Activities	\$6,348,364	\$8,008,090	(1,659,726)	\$7,376,631	631,459
Capital and Related Financing Activities	(6,469,735)	(4,182,875)	(2,286,860)	(3,371,029)	(811,846)
Investing Activities	(5,779,475)	1,609,033	(7,388,508)	(1,975,844)	3,584,877
Net Change in Cash and Cash Equivalents	(5,900,846)	5,434,248	(11,335,094)	2,029,758	3,404,490
Cash and Cash Equivalents - Beginning of Year	18,228,973	12,794,725	5,434,248	10,764,967	2,029,758
Cash and Cash Equivalents - End of Year	\$12,328,127	\$18,228,973	(5,900,846)	\$12,794,725	5,434,248

2022 Compared to 2021:

- Cash inflows from operating activities decreased \$1.7 million. The largest contributor to this decrease was from a buildup of inventory related to the Empower Rural Iowa Broadband Grant.
- Cash outflows from capital and related financing activities increased \$2.3 million due to an increase in the construction of capital assets.
- Cash flows from investing activities decreased \$7.4 million due to an increase in investment securities held at year end. More cash was invested in 2022 due to an increase in interest rates.

(A Component Unit of the City of Cedar Falls, Iowa)

Management Discussion and Analysis

December 31, 2022 and 2021 Unaudited

2021 Compared to 2020:

- **Cash inflows from operations increased \$631,000 due to:**
 - An increase of \$234,000 in cash received from customers.
 - An increase in cash paid to employees of \$124,000.
 - A decrease of \$537,000 in cash paid to suppliers due to lower operating expenses.
- Cash outflows from capital and related financing activities increased \$812,000 due to more outflows for the acquisition, construction, and removal costs of capital assets.
- Cash inflows from investing activities increased \$3.6 million due to maturities of investments that were not subsequently reinvested.

<u>Utility Capital Assets Activity</u>

On December 31, 2022, the Utility had \$28.9 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2022 included installation of optical network equipment, headend data equipment, services, customer equipment, and new fiber installations.

On December 31, 2021, the Utility had \$25.8 million, as restated, in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Capital improvements for 2021 included installation of optical network equipment, headend data equipment, services, customer equipment, new fiber installations and an adaptive bitrate video system.

Utility Debt Activity

There are no debt holdings for 2022 and 2021.

Utility Changes to Future Financial Statements

Effective January 1, 2023, the Board of Trustees approved a per subscriber rate increase for Basic TV of \$2.00 and Basic Plus TV of \$6.00.

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Net Position

December 31, 2022 and 2021

	2022		<u>2021</u>
Assets			(Restated)
Current assets:			
Cash and cash equivalents - unrestricted (note 3)	\$ 11,801,594	\$	17,672,218
Cash and cash equivalents - restricted (note 2 and 3)	526,533		556,755
Investments - unrestricted (note 3)	6,848,921		1,000,000
Investments - restricted (note 2 and 3)	156,029		50,000
Receivables:			
Customer accounts, less allowance for doubtful			
accounts of \$16,800 in 2022 and \$13,100 in 2021	2,334,396		2,454,747
Interest	14,854		2,245
Government grants	912,118		4,508
Trade	264,959		385,742
Lease (note 5)	21,524		31,573
Material and supplies	2,582,211		1,507,086
Prepayments and other	 602,475		438,785
Total current assets	 26,065,614		24,103,659
Noncurrent assets:			
Lease receivable (note 5)	86,805		42,916
Other (note 9)	94,843		95,916
Total noncurrent assets	181,648		138,832
Capital assets: (note 4)			
Capital assets, in service	46,719,000		46,426,719
Less accumulated depreciation / amortization	20,334,042		20,678,664
Net capital assets in service	26,384,958	•	25,748,055
Construction work in progress	2,534,448		89,459
Net capital assets	 28,919,406		25,837,514
Total assets	55,166,668		50,080,005
Deferred outflows of resources			
Pension related (note 7)	308,366		327,434
OPEB related (note 11)	98,357		81,770
Total deferred outflows of resources	406,723		409,204
Total assets and deferred outflows of resources	 55,573,391	\$	50,489,209

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Net Position

December 31, 2022 and 2021

Liabilities		2022		<u>2021</u> (Restated)
Current liabilities:				(Nestatea)
Accounts payable	\$	1,675,824	\$	1,375,474
Reserve for surplus declaration (note 9)	·	-	·	30,000
Accrued wages and vacation		373,512		369,354
Other accrued liabilities		128,655		136,904
Lease agreements		67,502		84,190
Total current liabilities		2,245,493		1,995,922
Noncurrent liabilities: (note 6)				
Lease agreements		324,950		307,652
Other liabilities (note 6)		620,408		542,033
Net pension liability (note 7)		1,641,441		60,273
Total noncurrent liabilities		2,586,799		909,958
Total liabilities		4,832,292		2,905,880
Deferred inflows of resources				
Lease related		738,236		756,484
OPEB related (note 11)		16,835		9,515
Pension related (note 7)		244,476		2,244,501
TIF related (note 9)		94,843		95,916
Total deferred inflows of resources		1,094,390		3,106,416
Total liabilities and deferred inflows of resources		5,926,682		6,012,296
Net Position				
Net investment in capital assets		28,526,955		25,445,672
Restricted		635,263		548,455
Unrestricted		20,484,491		18,482,786
Total net position		49,646,709		44,476,913
Total liabilities, deferred inflows of resources and net position	\$	55,573,391	\$	50,489,209

See accompanying notes to financial statements.

This Page Intentionally Left Blank

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2022 and 2021

	2022	<u>2021</u> (Restated)
Operating revenues:		
Cable system revenues	\$ 8,899,665	\$ 9,365,674
Data services revenue	11,158,094	10,623,893
Voice services (telephone) revenue	972,798	998,621
Network access revenue	279,227	263,130
Local private line revenue	695,981	661,522
Other operating income	 245,692	149,871
Total operating revenues	 22,251,457	 22,062,711
Operating expenses:		
Plant specific and programming	8,951,511	9,158,456
Depreciation	4,002,446	3,593,229
Plant nonspecific	1,697,917	1,467,888
Customer operations	1,003,854	916,345
Sales	357,623	339,273
Corporate operations (note 9)	2,201,729	1,869,577
Total operating expenses	18,215,080	17,344,768
Operating income	 4,036,377	 4,717,943
Non-operating revenues (expenses):		
Interest income	175,090	15,359
Miscellaneous revenue (expense), net (note 9)	4,515	6,624
Intergovernmental grant funds	907,610	4,508
AFUDC (note 1)	22,645	24,760
Contributed capital (note 9)	10,565	152,827
Net increase in the fair value of investments	 12,994	-
Total non-operating revenues (expenses)	 1,133,419	204,078
Change in net position	5,169,796	4,922,021
Net position, beginning of year, as restated (note 14)	44,476,913	 39,554,892
Net position, end of year	\$ 49,646,709	\$ 44,476,913

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Cash Flows

Years ended December 31, 2022 and 2021

Cash flows from operating activities:		2022		<u>2021</u>
Cash received from customers	\$	22 220 207	\$	22 071 575
Cash paid to suppliers	Ф	22,320,397	Ф	22,071,575
Cash paid to suppliers Cash paid to employees		(13,718,332) (2,223,701)		(11,883,621)
Payment in lieu of taxes to the City of Cedar Falls				(2,164,864)
rayment in neu of taxes to the City of Cedal rans		(30,000)		(15,000)
Net cash provided by operating activities		6,348,364		8,008,090
Cash flows from capital and related financing activities:				
Acquisition, construction and removal cost of capital assets		(6,625,215)		(4,251,351)
Proceeds from sale of capital assets		23,371		37,193
Reimbursement of utility construction costs		132,109		31,283
		101,102		32,200
Net cash used in capital and related financing activities		(6,469,735)		(4,182,875)
Cash flows from investing activities:				
Proceeds from maturities of investment securities		1,050,000		2,640,000
Purchase of investment securities		(6,991,956)		(1,050,000)
Interest received		162,481		19,033
Net cash provided by / (used in) investing activities		(5,779,475)		1,609,033
Net increase / (decrease) in cash and cash equivalents		(5,900,846)		5,434,248
Cash and cash equivalents, beginning of year		18,228,973		12,794,725
Cash and cash equivalents, end of year (note 1)	\$	12,328,127	_\$	18,228,973

(A Component Unit of the City of Cedar Falls, Iowa)

Statements of Cash Flows, Continued

Years ended December 31, 2022 and 2021

Reconciliation of operating income to net cash provided by operating activities	<u>2022</u>		2021 (Restated)
Operating income	\$ 4,036,377	\$	4,717,943
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization of capital assets	4,002,446		3,593,229
Other income (expense), net	4,515		6,624
(Increase) decrease in accounts receivable	119,590		53,617
(Increase) decrease in lease receivable	(52,088)		(46,596)
(Increase) decrease in inventories	(1,075,125)		(8,258)
(Increase) decrease in prepayments and other	(163,690)		(209,861)
Increase (decrease) in accounts payable	(158,469)		398,627
Increase (Decrease) in reserve for surplus declaration	(30,000)		15,000
Increase (decrease) in accrued wages and vacation	4,158		26,053
Increase (decrease) in other accrued expenses	(320,069)		(520,774)
Increase (decrease) in other liabilities	 (19,281)		(17,514)
Net cash provided by operating activities	\$ 6,348,364	_\$_	8,008,090

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

The Municipal Communications Utility (Utility) of the City of Cedar Falls, Iowa is a separate and distinct city utility and is chartered under Iowa Code Section 388. The Utility is a component unit of the City of Cedar Falls, Iowa. The Utility was formed to engage in the development and operation of a broadband communications system and the marketing of related services such as cable television, phone services, and high-speed data communications. The Utility's rates are set by its governing board. The Utility follows the accounting practices prescribed through the Federal Communications Commission for regulated utilities and proprietary fund accounting for governmental entities under accounting principles generally accepted in the United States of America.

The Utility, as a regulated utility, follows the Code of Federal Regulations Title 47 – Telecommunication, Chapter I – Federal Communications Commission.

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 1.90% in 2022 and 1.65% in 2021. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated service lives and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: infrastructure – 12 to 48 years and equipment – 6 to 12 years. The depreciation provisions were equivalent to an overall composite rate of 8.7% of depreciable assets for 2022 and 7.9% for 2021.

Capital assets may be contributed to the Utility by outside parties. As these assets are completed and placed in service, the utility reports the acquisition value of contributed capital on the date received in the statement of revenue, expenses, and changes in net position.

Replacements and betterments of capital assets are charged to capital assets. Routine maintenance and repairs are charged to expense as incurred. At the time capital assets are retired, the original cost of the asset plus cost of removal less salvage are charged to accumulated depreciation.

Leases

<u>Utility</u> as <u>Lessee:</u> The Utility is a lessee for several noncancellable lease agreements. The Utility has recognized a lease liability and an intangible right-to-use asset in the Utility's financial statements.

At the commencement of a lease, the Utility initially measures the lease liability as the value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lesser of the lease term or the useful life of the underlying asset starting at the commencement of the lease.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Leases, continued

<u>Utility as Lessor:</u> The Utility is a lessor for several noncancellable lease agreements. The Utility has recognized a lease receivable and a deferred inflow of resources in the Utility's financial statements. At the commencement of a lease, the Utility initially measures the lease receivable at the value of payments

At the commencement of a lease, the Utility initially measures the lease receivable at the value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the lease term.

The Utility monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Cash and Investments

Investments are stated at their fair value except for the investment in the Iowa Public Agency Investment Trust (IPAIT) and non-negotiable certificates of deposits which are valued at amortized cost.

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) as December 31, 2022 and 2021 were \$346,310 and \$506,988, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are recorded at the invoiced amount and are reported net of allowances.

Inventories

Materials and supplies are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are consumed.

Prepayments

Prepayments are recorded at the beginning of an agreement for items that span a year or more and meet a minimum threshold. These items require payment at the beginning and are amortized over the life of the agreement. Current assets are amortized for one year from the beginning date. Noncurrent assets have a longer life and are amortized as needed per the terms of the agreement. The Utility incurs prepayments for things such as insurance coverages or licensing or maintenance of software and hardware. These agreements generally cover periods other than a calendar year and result in balances at year end.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, OPEB expense, and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred inflows and outflows of resources related to OPEB and OPEB expense, information has been determined based on the Utility's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of tax increment financing receivables that will not be recognized as revenue until the year for which they are levied, unrecognized items not yet charged to pension expense, unrecognized other post-employment benefits (OPEB) expenses, and deferred amounts related to leases.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of government entities. Unrestricted net position consists of net positions that do not meet the definition of "net investment in capital assets" or "restricted."

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2022 and 2021 was as follows:

		2022	2021
Restricted for/by			
Health and Dental Insurance	_\$	635,263	\$ 548,455

Operating Revenues and Expenses

Operating revenues include revenues resulting from the sale of products and services. Operating expenses include expenses for plant specific and programming, depreciation, plant nonspecific, customer operations, sales, and corporate operations. Non-operating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities and investing activities.

Revenues are based on billing rates, which are applied to customers' consumption of communications services. The Utility records estimated unbilled revenue at the end of accounting periods. Revenues earned, but not billed at December 31, 2022 and 2021, were \$726,537 and \$726,973, respectively and are recorded in customer accounts receivable.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies, continued

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. During 2022, there was a budget amendment of \$15,019,189 primarily due to the increased purchased power expenses for the Electric Utility and increased natural gas expenses for the Gas Utility. During 2021, there were budget amendments of \$23,720,732 in September and \$1,035,575 in November primarily due to the record-breaking prices of natural gas in February 2021. This is discussed in more detail in the Management's Discussion and Analysis section of Cedar Falls Utilities Municipal Gas Utility report.

Grants

The Communications Utility has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Employee Benefits

Employee benefits for accumulated sick leave hours are not accrued as they are not payable to employees upon termination of service. Vacation hours are earned monthly, and accruals are recorded as liabilities and unused vacation hours are paid upon termination of service. Accrued wages represents time employees worked during the calendar year but are unpaid at December 31.

The Communications Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay shall apply only to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2022 and 2021, the accrued liability was \$249,700 and \$240,480, respectively.

Reclassifications

Reclassifications of prior year's amounts may have been made for comparability. These reclassifications had no impact on the change in net position or the total ending net position.

Implementation of GASB Statement No. 89

The Utility adopted GASB 89 effective January 1, 2021. Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, aims to improve accounting and financial reporting by creating more relevant and comparable information about capital assets and the cost of borrowing, as well as reduce the complexity of accounting requirements. The Utility elected to continue capitalizing interest called allowance for funds used during construction (AFUDC) as a regulated operation under GASB Statement No. 62, Paragraph 485, and thus the implementation of this Statement has no comparability impact to previous Utility statements.

Implementation of GASB Statement No. 87

As of January 1, 2022 the Utility adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The impact to the Utility resulting in the reporting of lease receivables, right-to-use assets, lease liabilities, and deferred inflows of resources related to leases. The effect of the implementation of this standard on the beginning net position is disclosed in Note 14.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(2) Restricted Assets

The composition of restricted assets as of December 31, 2022 and 2021 was as follows:

2022	Cash	Investments		Total
Current Assets - Restricted				
Self Insured Dental	\$ 18,310	\$	-	\$ 18,310
Self Insured Medical	508,223		156,029	664,252
Total Current Assets - Restricted	526,533		156,029	682,562
Total Restricted Assets	\$ 526,533	\$	156,029	\$ 682,562
2021	Cash	Inv	estments	Total
2021 Current Assets - Restricted	 Cash	Inv	estments	 Total
	\$ Cash 20,768	Inv	estments -	\$ Total 20,768
Current Assets - Restricted	\$ · · · · · · · · · · · · · · · · · · ·		zestments - 50,000	\$
Current Assets - Restricted Self Insured Dental	\$ 20,768		-	\$ 20,768

Amounts deposited in the Self-Insured Medical and Dental fund may only be used for medical and dental reserves and expenses.

(3) Cash and Investments

The Utility is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility uses the fair value hierarchy established by generally accepted accounting principles 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.

Federal Agency Obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and other market assumptions (Level 2 inputs).

Interest Rate Risk

The Utility's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Investments, continued

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2022 or 2021. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2022 or 2021.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility's deposits are covered by federal depository insurance up to the insured limits or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial Credit Risk - Investments

For an investment, this 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 investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk with regards to investments since all investments were held by the Utility or its agent in the Utility's name.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Investments, continued

Reconciliation to Financial Statements

A reconciliation of the Utility's total cash and investments to the statement of net position follows:

	2022			2021		
Petty cash	\$	60	\$	60		
Checking & Sweep		7,952,326		11,276,917		
Money markets		4,029,431		6,444,998		
Carrying amount of IPAIT		346,310		506,998		
Certificates of deposits		2,000,000		1,050,000		
Carrying amount of federal agency obligations		5,004,950				
Total	\$	19,333,077	\$	19,278,973		
Current Assets						
Cash and cash equivalents - unrestricted	\$	11,801,594	\$	17,672,218		
Investments - unrestricted		6,848,921		1,000,000		
Current assets unrestricted total		18,650,515		18,672,218		
Cash and cash equivalents - restricted		526,533		556,755		
Investments - restricted		156,029		50,000		
Current assets restricted total		682,562		606,755		
Total per statement of net position	\$	19,333,077	\$	19,278,973		

The Board of Trustees of the Municipal Communications Utility has made reserve fund designations for the unrestricted cash and investment balance as follows:

		2022	2021
Unrestricted Cash and Investments			
Board Designated			
Payment in Lieu of Taxes	\$	-	\$ 30,000
Operating	-	18,650,515	18,642,218
Total Unrestricted Cash and Investments	\$	18,650,515	\$ 18,672,218

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements

December 31, 2022 and 2021

(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2022 and 2021 follows:

	Restated,			
	Beginning			Ending
2022	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				_
Land	\$ 2,177	\$ -	\$ -	\$ 2,177
Construction work in progress	89,459	7,169,740	(4,724,751)	2,534,448
Total capital assets, not being depreciated	91,636	7,169,740	(4,724,751)	2,536,625
Capital assets, being depreciated/amortized:				
Infrastructure	21,076,968	354,899	(81,195)	21,350,671
Equipment	24,856,362	4,369,852	(4,430,400)	24,795,813
Right-to-use leased assets	491,212	96,000	(16,873)	570,339
Total capital assets, being depreciated/amortized	46,424,542	4,820,751	(4,528,468)	46,716,823
Less accumulated depreciation/amortized	for:			
Infrastructure	(6,150,955)	(817,381)	86,629	(6,881,707)
Equipment	(14,427,870)	(3,276,930)	4,430,400	(13,274,400)
Right-to-use leased assets	(99,839)	(94,683)	16,587	(177,935)
Total accumulated depreciation/amortization	(20,678,664)	(4,188,994)	4,533,616	(20,334,042)
Total capital assets being depreciated/amortized, net	25,745,878	631,757	5,148	26,382,781
Net capital assets	\$ 25,837,514	\$ 7,801,497	\$ (4,719,603)	\$ 28,919,406

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA (A Component Unit of the City of Cedar Falls, Iowa) Notes to Financial Statements December 31, 2022 and 2021

(4) Capital Assets, continued

2021	Beginning			Ending
(As Restated)	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 2,177	\$ -	\$ -	\$ 2,177
Construction work in progress	976,119	4,271,398	(5,158,058)	89,459
Total capital assets, not being depreciated	978,296	4,271,398	(5,158,058)	91,636
Capital assets, being depreciated/amortized:				
Infrastructure	20,594,870	495,494	(13,396)	21,076,968
Equipment	22,825,078	4,662,563	(2,631,279)	24,856,362
Right-to-use leased assets	433,045	123,193	(65,026)	491,212
Total capital assets, being depreciated	43,852,993	5,281,250	(2,709,701)	46,424,542
Less accumulated depreciation/amortized	for:			
Infrastructure	(5,388,383)	(775,952)	13,380	(6,150,955)
Equipment	(14,203,980)	(2,855,135)	2,631,245	(14,427,870)
Right-to-use leased assets		(99,839)	-	(99,839)
Total accumulated depreciation/amortization	(19,592,363)	(3,730,926)	2,644,625	(20,678,664)
Total capital assets being depreciated/amortized, net	24,260,630	1,550,324	(65,076)	25,745,878
Net capital assets	\$ 25,238,926	\$ 5,821,722	\$ (5,223,134)	\$ 25,837,514

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(5) Lease Receivable

The Utility is lessor to multiple sublease agreements in which colocation space and cabling is leased to other internet providers. The sublease term for each lease was measured by using the lease term of the underlying leased asset. Termination dates for all leases range from 2023 – 2037. Rent payments are received based on actual cost of leasing the underlying facilities. Lease receivables were established using the facts known at the implementation date of GASB Statement No. 87 or at the commencement of the lease. Variable rent related to these agreements will be recorded as an inflow of resources in the period received. During the years ended December 31, 2022 and 2021, the Utility recognized revenue related to these agreements totaling \$27,101 and \$31,774, respectively.

The Utility is lessor to multiple lease agreements in which fiber optic cabling is leased to other data providers. These agreements typically include constructing infrastructure with another entity contributing to the cost in exchange for the right to use a portion of the completed asset for a period of time specified in the lease. The Utility continues to own and maintain the assets during and after termination of the lease. Payments for construction of assets are received after construction is completed and revenue is recognized over the term of the lease. Termination dates for all dark fiber leases range from 2024 – 2040. During the years ended December 31, 2022 and 2021, the Utility recognized revenue related to these agreements totaling \$60,207 and \$58,280, respectively.

The Utility is lessor to one agreement for the lease of underground communications conduit. The initial term of this lease is 10 years and ends in 2032, with successive 1 year terms available. During the years ended December 31, 2022 and 2021, the Utility recognized revenue related to these agreements totaling \$179 and \$0, respectively.

Total future minimum lease payments to be received under lessor agreements are as follows:

Fiscal Year Ended	P	lmount
2023	\$	21,524
2024		16,040
2025		12,024
2026		12,024
2027		8,524
2028 - 2033		29,793
Thereafter		8,400
Total	\$	108,329

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(6) Long-Term Liabilities

Long-term liabilities activity for the years ended December 31, 2022 and 2021 was as follows:

	J	Restated,							Amounts
	F	Beginning						Ending	Due Within
2022		Balance	A	dditions	Re	ductions		Balance	One Year
Net pension liability (note 7)	\$	60,273	\$	1,915,255	\$	334,087	\$	1,641,441	
Accrued severance		240,480		39,025		29,805		249,700	
OPEB (note 11)		301,553		106,270		37,115		370,708	
Lease agreements		391,842		96,000		95,390		392,452	67,502
Total	\$	994,148	\$	2,156,550	\$	496,397	\$	2,654,301	
									Amounts
2021	E	Beginning						Ending	Due Within
(Restated)		Balance	A	Additions Reductions		ductions	Balance		One Year
Net pension liability (note 7)	\$	2,926,363	\$	475,691	\$:	3,341,781	\$	60,273	
Accrued severance		224,784		38,769		23,073		240,480	
OPEB (note 11)		299,436		35,327		33,210		301,553	
Lease agreements		464,478		90,193		162,829		391,842	84,190
Total	\$	3,915,061	\$	639,980	\$:	3,560,893	\$	994,148	

Lease Agreements

The Utility has entered into agreements that leases other entity's non-financial assets, such as colocation space and use of fiber optic cabling. A lease liability is established at the commencement of these leases and initially measured at the value of the payments expected to be made during the lease term. Total future minimum lease payments to be paid under lessee agreements are as follows:

Fiscal Year Ended	A	lmount
2023	\$	67,502
2024		59,871
2025		58,706
2026		47,455
2027		22,093
2028 - 2032		70,463
Thereafter		66,362
Total	\$	392,452

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Communications Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. 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.com.

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.

Plan Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 members first month of entitlement 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 percent 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 percent 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 payment.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or lump-sum payments equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

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 IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. 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.

In fiscal year 2022 and 2021 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2022 and 2021 were \$343,915 and \$327,193, respectively.

There were no non-employer contributing entities at IPERS.

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At December 31, 2022 and 2021, the Utility reported a liability of \$1,641,441 and \$60,273, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 Regular Membership IPERS participating employers. At June 30, 2022, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.043446 percent, which was a increase of 0.060905 percent from its proportion measured as of June 30, 2021 of -0.017459 percent.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued</u>

For the years ended December 31, 2022 and 2021, the Utility recognized pension expense of (\$55,874) and (\$221,962), respectively. At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		20	22		2021			
	D	eferred	Deferred		Deferred		d Deferre	
	Ou	tflows of	Inflows of		Outflows of		In	ıflows of
	Re	esources	R	esources	Re	esources	Re	esources
Differences between expected and actual experience	\$	72,765	\$	22,484	\$	45,860	\$	46,045
Changes of assumptions		1,392		39		39,423		-
Net difference between projected and actual earnings on pension plan investments		-		175,710		-	2	2,183,782
Changes in proportion and differences between Utility's contributions and proportionate share of contributions		58,984		46,243		80,686		14,674
Utility's contributions subsequent to the measurement date		175,225		-		161,465		-
Total	\$	308,366	\$	244,476	\$	327,434	\$2	,244,501

\$175,225 reported as deferred outflows of resources related to pensions resulting from the Utility's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2022	2021
December 31, 2023	\$ (148,021)	\$ (514,398)
December 31, 2024	(110,352)	(475,233)
December 31, 2025	(207,756)	(576,407)
December 31, 2026	355,216	9,106
December 31, 2027	(422)	na

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation:

(effective June 30, 2017)

2.60 percent per annum

Rates of salary increase:

3.25 to 16.25 percent, average, including inflation. Rates vary

(effective June 30, 2018)

by membership group

 $Long\text{-}term\ investment\ rate\ of\ return:$

7.0 percent, compounded annually, net of investment

(effective June 30, 2017)

expense, including inflation

Wage growth

3.25 percent per annum based on 2.60 percent inflation

(effective June 30, 2017)

And 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2022 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 Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Reports 2022 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	3.57%
International Equity	17.5%	4.79%
Global smart beta equity	6.0%	4.16%
Core-plus Fixed Income	20.0%	1.66%
Public Credit	4.0%	3.77%
Cash	1.0%	0.77%
Private Equity	13.0%	7.57%
Private Real Assets	8.5%	3.55%
Private Credit	8.0%	3.63%
Total	100%	- =

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(7) Pension Plan - IPERS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>

The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) that the current rate.

	D	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-22	\$	3,111,460	\$ 1,641,441	\$ 399,727
	_	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-21	\$	2,139,236	\$ 60,273	\$ (1,681,720)

Pension Plan Fiduciary Net Position

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.

Payables to the Pension Plan

At December 31, 2022 and 2021, the Utility reported a payable of \$42,839 and \$37,379, respectively to the defined benefit pension plan for legally required employer contributions and a payable of \$19,145 and \$16,903, respectively for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Income Tax Status

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

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(9) Related Party Transactions

The Utility provides communications service to the City. Operating revenues from the service provided amounted to \$75,555 and \$70,313 in 2022 and 2021, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2022 to reimburse the Communications Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This other receivable, with an outstanding balance of \$94,843 and \$95,916 as of December 31, 2022 and 2021, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources at December 31, 2022 and 2021 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$1,073 and \$1,073 in 2022 and 2021, respectively and are recorded as contributed capital in the Statements of Revenues, Expenses and Changes in Net Position.

The Utility makes payments in lieu of taxes upon approval by the Board of Trustees to the City of Cedar Falls, Iowa. Expenses for 2022 and 2021 were \$0 and \$30,000 respectively, which were recorded in corporate operations.

(10) Risk Management

The Cedar Falls Municipal Electric, Gas, Water, and Communications Utilities (Utilities) are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utilities purchase commercial insurance for claims related to these risks.

The Utilities maintain a risk management account for risks related to their self-insured medical plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2022 plan year for aggregate medical claims exceeding \$3.5 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. The estimate is based on a percentage of claims unpaid at year end considering the Utilities claims payment history. Changes in the balances of the Utilities liabilities during the past two years are as follows:

	 2022	2021			
Unpaid claims and IBNR, beginning of year	\$ 264,900	\$	353,300		
Current year costs including IBNR	3,458,317		3,946,015		
Claims paid	 (3,517,317)		(4,034,415)		
Unpaid claims and IBNR, end of year	\$ 205,900	\$	264,900		

The Communications Utility has recorded \$47,300 and \$58,300 in accounts payable for its share of unpaid claims at December 31, 2022 and 2021, respectively.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(10) Risk Management, continued

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 533 governmental entities participate in the Association as of June 30, 2022. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

The following table sets forth summarized financial data of the Association as of and for its year ended June 30, 2022 and 2021:

		2022		2021
Cash and cash equivalents and investments	\$	104,478,083	\$	103,818,736
Receivables		3,685,168		3,894,777
Other assets		4,036,525		3,154,581
Total assets	\$_	112,199,776	\$	110,868,094
Total liabilities	\$	43,004,095	\$	38,339,333
Total net position		69,195,681		72,528,761
Total liabilities and net position	\$_	112,199,776	_\$	110,868,094
Total revenues	\$	18,825,373	\$	18,174,755
Total expenses		22,158,453		16,155,593
Net increase (decrease) in net position	\$	(3,333,080)	\$	2,019,162

There have been no instances where the amount of settlement has exceeded available coverage in the past three years. There has been no significant reduction in insurance coverage from coverage in the prior year.

(11) Other Post-Employment Benefits (OPEB)

Plan Description

The Utilities administers a single-employer benefit plan (the Plan) for all four utilities which provides medical, vision, prescription drug and dental benefits to all active and retired employees and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must be a minimum of 55 years old, apply for a bona fide retirement under IPERS, and are enrolled in the Utility's insurance plan at the time of retirement. Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides a \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

At November 1, 2021, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	78
Active members	_184
	262

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,765,280 and \$1,673,707 was measured as of December 31, 2022 and December 31, 2021, respectively, and was determined by an actuarial valuation as of January 1, 2022, and January 1, 2020, respectively.

At December 31, 2022 and 2021, the Utility reported a liability of \$370,708 and \$301,553, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2022)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2022)	4.00%	per annum.
Discount rate		
(effective January 1, 2022)	2.06%	per annum.
Healthcare cost trend rate		
(effective January 1, 2022)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.06% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2016 with MP 2021 generational projection of future mortality improvement.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

Changes in the Total OPEB Liability

	2022 Total OPEB Liability	2021 Total OPEB Liability
Utility's share of total OPEB liability beginning of year Changes for the year:	\$ 301,553	\$ 299,436
Changes in Utility's proportion	49,925	-
Service cost	21,519	15,684
Interest	7,669	8,779
Changes of benefit terms	3,812	-
Difference between expected and actual experiences	(8,613)	10,864
Changes in assumptions	23,345	-
Benefit payments	(28,502)	(33,210)
Net changes	69,155	2,117
Utility's share of total OPEB liability end of year	\$ 370,708	\$ 301,553

Changes of assumptions reflect a change in the discount rate from 2.74% in fiscal year 2020 to 2.06% in fiscal year 2022.

Sensitivity of the Utility's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.06%) or 1% higher (3.06%) than the current discount rate.

		1% ecrease 1.06%)]	Discount Rate (2.06%)	 1% Increase (3.06%)
Utility's share of total OPEB liability at December 31, 2022	\$	407,112	\$	370,708	\$ 338,880
	1% Decrease (1.74%)		Ì	Discount Rate (2.74%)	 1% Increase (3.74%)
Utility's share of total OPEB liability at December 31, 2021	\$	346,393	\$	301,553	\$ 293,033

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(11) Other Post-Employment Benefits (OPEB), continued

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

			He	althcare		
		1%	Co	st Trend		1%
	D	ecrease		Rate	I	ncrease
		4.00%)	(5.00%)	((6.00%)
Utility's share of total OPEB liability at December 31, 2022	\$	339,119	\$	370,708	\$	408,682
			He	althcare		
		1%	Co	st Trend		1%
	D	ecrease		Rate	I	ncrease
	(4	4.50%)	(!	5.50%)	(6.50%)
Utility's share of total OPEB liability at December 31, 2021	\$	293,272	\$	301,553	\$	347,419

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB At December 31, 2022 and 2021, the Utility recognized OPEB expense of \$88,390 and \$32,064, respectively.

At December 31, 2022 and 2021, the Utility reported deferred outflows of resources and deferred inflows related to OPEB from the following sources:

	2022					2021				
	Deferred Outflows of					eferred	De	eferred		
						tflows of	Inf	lows of		
	Re	sources	Resources		Re	sources	Res	sources		
Difference between expected and actual experience	\$	47,879	\$	16,835	\$	50,563	\$	9,515		
Changes in assumptions		50,478		-		31,207		-		
	\$	98,357	\$	16,835	\$	81,770	\$	9,515		

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year-ending December 31,	I	2022 Amount		2021 mount
2022		N/A	\$	11,230
2023	\$	13,871		11,230
2024		13,871		11,230
2025		13,871		11,230
2026		13,871		11,230
2027		13,871		11,230
Thereafter		12,167		4,875
	\$	81,522	\$	72,255

(A Component Unit of the City of Cedar Falls, Iowa)

Notes to Financial Statements

December 31, 2022 and 2021

(12) Commitments and Contingencies

As of December 31, 2022, the Utility engaged in several construction projects scheduled to be completed by 2024 with an estimated cost to complete of \$7,895,000; of which \$4,123,000 is in relation to the Empower Rural Iowa Broadband Grant awarded by the State of Iowa in 2021. Construction projects associated with this grant are expected to conclude in 2024.

(13) Subsequent Events

Subsequent events for the Utility have been evaluated through May 25, 2023, which is the date that the financial statements were available to be issued.

Effective January 1, 2023, the Board of Trustees approved the following rate increases per month per subscriber: \$2.00 or 4.3%, for Basic Lifeline TV service and \$6.00 or 5.6%, for Basic Plus TV service.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As a result of adopting GASB Statement No. 87 *Leases* in fiscal year 2022, the beginning net position was restated to retroactively report the change in value of assets previously reported as capital leases as follows:

Net position December 31, 2020, as previously reported	\$ 40,283,952
Add lease receivable under GASB No. 87 at	
December 31, 2020	124,732
Less deferred inflow of resources under GASB No. 87	
at December 31, 2020	(853,792)
Add lease asset under GASB No. 87 at December 31, 2020	464,478
Less lease liability under GASB No. 87 at December 31, 2020	
at December 31, 2020	 (464,478)
Net position January 1, 2021, as restated	\$ 39,554,892

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Utilities Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

	2022	2021	2020	2019	2018
Utility's proportion of the net pension liability (asset)	0.043446%	-0.017459%	0.041658%	0.041905%	0.040879%
Utility's proportionate share of the net pension liability	\$ 1,641,441	\$ 60,273	\$ 2,926,363	\$ 2,426,561	\$2,586,906
Utility's Covered payroll	\$ 3,497,402	\$ 3,489,426	\$ 3,304,091	\$ 3,189,106	\$3,073,637
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	46.93%	1.73%	88.57%	76.09%	84.16%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%	83.62%
	2017	2016	2015	2014	_
Utility's proportion of the net pension liability (asset)	0.038885%	0.038832%	0.041302%	0.043273%	
Utility's proportionate share of the net pension liability	\$ 2,590,264	\$ 2,443,828	\$ 2,040,514	\$ 1,716,179	
Utility's Covered payroll	\$ 2,902,615	\$ 2,786,737	\$ 2,829,557	\$ 2,831,621	
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.69%	72.11%	60.61%	
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%	

^{*} The amounts presented for each fiscal year 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 ten-year trend is compiled, the Utilities will present information for those years for which information is available.

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information December 31, 2022 and 2021

Schedule of Utility's Contributions Iowa Public Employees' Retirement System **Last 10 Fiscal Years**

	2022			2021		2020		2019		2018	
Statutorily required contribution	\$	343,915	\$	327,193	\$	322,894	\$	305,005	\$	288,595	
Contributions in relation to the statutorily required contribution		(343,915)		(327,193)		(322,894)		(305,005)		(288,595)	
Contribution deficiency (excess)	\$	-	\$	-	\$	•	\$	-	\$	-	
Utility's covered payroll	\$ 3	3,643,165	\$	3,466,031	\$	3,420,487	\$:	3,230,988	\$:	3,141,765	
Contributions as a percentage of covered payroll		9.44%		9.44%		9.44%		9.44%		9.19%	
		2017		2016		2015		2014		2013	
Statutorily required contribution	\$	266,387	\$	246,752	\$	242,354	\$	263,284	\$	258,040	
Contributions in relation to the statutorily required contribution		(266,387)		(246,752)		(242,354)		(263,284)		(258,040)	
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-	
Utility's covered payroll	\$ 2	2,983,058	\$:	2,763,179	\$	2,713,925	\$ 2	2,948,304	\$ 2	2,932,777	
Contributions as a percentage of covered payroll		8.93%		8.93%		8.93%		8.93%		8.80%	

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Notes to Required Supplemental Information Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement dates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination dates for all members.

The 2018 valuation, which is used to determine the contribution rates effective July 1, 2019, incorporated the following refinements after a demographic assumption study:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- · Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation, which is used to determine the contribution rates effective July 1, 2018, incorporated the following refinements after an economic assumption study:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the investment return assumption from 7.50 percent to 7.00 percent
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 2- year period.

(A Component Unit of the City of Cedar Falls, Iowa)

Required Supplemental Information

December 31, 2022 and 2021

Schedule of Changes in the Total OPEB Liability, Related Ratios and Notes

	 2022	2021		2020		2019			2018
Changes in Utility's proportion	\$ 49,925	\$	_	\$	_	\$	-	\$	-
Service cost	21,519		15,684		14,287		12,244		11,153
Interest	7,669		8,779		8,307		10,094		9,454
Changes of benefit terms	3,812		-		-		-		-
Difference between expected and actual experiences	(8,613)		10,864		(2,098)		(8,834)		64,512
Changes in assumptions	23,345		-		17,455		-		26,001
Benefit payments	(28,502)		(33,210)		(17,200)		(10,239)		(26,813)
Net change in Utility's share of total OPEB liability	 69,155		2,117		20,751		3,265		84,307
Utility's share of total OPEB liability beginning of year	 301,553		299,436		278,685		275,420		191,113
Utility's share of total OPEB liability end of year	\$ 370,708	\$	301,553	\$	299,436	\$	278,685	\$	275,420
Covered-employee payroll	\$ 3,607,892	\$	3,317,331	\$	3,219,494	\$	3,137,061	\$	3,071,966
Utility's share of total OPEB liability as a percentage of covered-employee payroll	10.27%		9.09%		9.30%		8.88%		8.97%

Notes to Schedule of Changes in Utility's Total OPEB Liability and Related Ratios

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

No assets are accumulated in a trust that meets the criteria is paragraph 4 of GASB Statement No. 75.

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2022 2.06% Year ended December 31, 2021 2.74% Year ended December 31, 2020 2.74% Year ended December 31, 2019 3.44% Year ended December 31, 2018 3.44% Year ended December 31, 2017 5.00%



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 Cedar Falls Utilities, Municipal Communications Utility Cedar Falls, 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, the financial statements of the Municipal Communications Utility of the City of Cedar Falls (Municipal Communications Utility) as of and for the year ended December 31, 2022, and related notes to the financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Communications 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 Municipal Communications Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Communications 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Communications 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 Municipal Communications Utility's operations for the year ended December 31, 2022, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Communications 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.

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 May 25, 2023

Side Sailly LLP

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 2022.

Part III: Other Findings Related to Required Statutory Reporting:

2022-IA-A	Certified Budget – Disbursements during the year ended December 31, 2022, did not exceed the amount budgeted.
2022-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.
2022-IA-C	Travel Expense – No expenditures of the Utility's money for travel expenses of spouses of Utility officials or employees were noted.
2022-IA-D	Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
2022-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.
2022-IA-F	Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
2022-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.
2022-IA-H	Revenue Bonds – No instances of noncompliance with the provisions of the Utility's revenue bond resolutions were noted.
2022-IA-I	Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of lowa were noted.
2022-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.