



Muscatine Power & Water

3205 Cedar St. • Muscatine, Iowa 52761-2204
563-263-2631

May 22, 2024

Mr. Brian Rath
Iowa Department of Natural Resources
Land Quality Bureau
Wallace State Office Building
502 E. 9th St.
Des Moines, IA 50319-0034

RE: Muscatine Power and Water CCR Landfill
Permit No. 70-SDP-06-82P
Financial Assurance Submittal for Calendar Year 2023

Dear Bill:

The following documents are provided to satisfy the annual financial assurance requirements for the MPW CCR Landfill. The Documents are:

- Local Government Financial Test and CFO Letter
- Financial Assurance Report Form
- Closure and Post Closure Costs
- Muscatine Power and Water 2023 Audit Report

We hope these documents adequately satisfy reporting requirements.

If you need more information or want to discuss our submittal, please contact me by writing to the above address or by telephone at 563/262-3394 or email at jbrewster@mpw.org.

Sincerely,

Jean Brewster, CHMM, QEP
Manager, Environmental Affairs

Enclosures

COAL COMBUSTION WASTE SANITARY LANDFILL LOCAL GOVERNMENT FINANCIAL TEST & CFO LETTER

May 17, 2024

Iowa Department of Natural Resources
Planning, Permitting & Engineering Services
Wallace State Office Building
502 East 9th Street
Des Moines, IA 50319

Dear Sir or Madam:

I am the chief financial officer for Muscatine Power and Water, herein referred to as the "Owner". This letter is in support of the Owner's use of the Financial Test to demonstrate financial assurance for closure and/or postclosure care costs, as specified in IAC 567 Chapter 103.3(3) and 103.3(4). The

The Owner is the owner and operator of the following coal combustion residue sanitary landfill(s) for which financial assurance for closure and/or postclosure care is demonstrated through the financial test, as specified in IAC 567 Chapter 103.3(6)"f":

Facility Name: Muscatine Power and Water

Address: 3205 Cedar St. Muscatine, IA 52761

Permit No: 70-SDP-06-82P

The current closure and/or postclosure care cost estimate, in accordance with IAC 567 Chapter 103.3(3) and 103.3(4), are shown below for each facility covered by the Financial Test:

Closure cost to be assured: \$ 1,127,473

Postclosure cost to be assured: \$ 1,067,200

The Owner meets or exceeds the financial test criteria as shown below in Alternative I and agrees to comply with the requirements, as specified in subrule 103.3(6)"f".

[Note: Fill in and attach either Alternative I if meeting the bond ratings or Alternative II if meeting the financial ratios of IAC 567 103.3(6)"f"(1)]

As chief financial officer for the Owner, I hereby certify that the information provided in this letter is true to the best of my knowledge and that this letter is being submitted in accordance with IAC 567 Chapter 103.3(6)"f" for the Local Government Financial Test.

Signature: 

Name: Mark Roberts

Date: May 21, 2024

The figures for the following items are derived from the Owner's independently audited, year-end financial statements/audit report for the latest completed fiscal year, ended 12/31/2023.

Alternative II

1. Sum of the current closure and/or postclosure cost estimates being assured by the Financial Test	\$2,194,673	\$1,822,212
	From most recent annual auditor's report	From 2nd most recent annual auditor's report
2. Total Revenues for past two years		
3. Total Expenditures for past two years		
4. Cash plus marketable securities (see definition below)		
5. Annual debt service	N/A	N/A
Must be able to answer "Yes" or "True" to the following		
	Yes/ True	No/ False
6. Is line 4 divided by line 3 greater than 5 percent?	X	
7. Is line 5 divided by line 3 less than 20 percent?	N/A	
8. There are no outstanding general obligation bonds that are currently in default.	X	
9. There are no outstanding general obligation bonds rated lower than Baa as issued by Moody's or BBB as issued by Standard & Poor's.	X	
10. Have financial statements (audit) been prepared in conformity with Generally Accepted Accounting Principles or with Other Comprehensive Basis of Accounting?	X	
11. Is line 3 less than line 2 in each of the past two years?	X	
12. If answered "no" to line 11, line 3 does not exceed line 2 by more than 5 percent in each of the past two years.	N/A	
13. Is line 1 less than 43 percent of line 2?	X	
14. Have not received an adverse opinion or disclaimer of opinion from the independent certified public accountant or office of the auditor of the state of Iowa.	X	
15. Have closure and postclosure costs being assured been referenced in the owner's most recent audit report or instead placed in the owner's files if timing did not permit reference in the most recent audit?	X	

Definitions:

"Deficit" means total annual revenues minus total annual expenditures.

"Total revenues" means revenues from all taxes and fees but does not include the proceeds from borrowing or asset sales, excluding revenue from funds managed by local government on behalf of a specific third party.

"Total expenditures" means all expenditures excluding capital outlays and debt repayment.

"Cash plus marketable securities" means all the cash plus marketable securities held by the local government on the last day of a fiscal year, excluding cash and marketable securities designated to satisfy past obligations such as pensions.

"Debt service" means the amount of principal and interest due on a loan in a given time period, typically the current year.

Municipal Solid Waste Sanitary Landfill Financial Assurance Report Form

Section 1: FACILITY INFORMATION *(please print or type)*

Information Requested	
Facility Name	Muscatine Power and Water CCR Landfill
Permitted Agency/Entity	Muscatine Power and Water
Permit Number	70-SDP-06-82P

Section 2: CLOSURE/POSTCLOSURE OR CORRECTIVE ACTION COST ESTIMATES

Information Requested	Cost Estimate	Date of Cost Estimate
Updated Closure Cost Estimate	\$ 1,127,473	3/7/2024
Updated Postclosure Cost Estimate	\$ 1,067,200	3/7/2024
Initial or Updated Corrective Action Cost Estimate	\$	

*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 113.14(3)"c" for closure and 113.14(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	417,787
Amount of waste disposed of at the facility during the prior year	4,314

Section 4: PROOF OF COMPLIANCE

Publicly Owned Municipal Solid Waste Landfills	<i>(ATTACH AUDIT REPORT)</i>
Owner's Most Recent Annual Audit Report	
Prepared by: <u>Eide Bailly LLP</u>	
For fiscal year ending: <u>December 31, 2023</u>	
Privately Owned Municipal Solid Waste Landfills	<i>(ATTACH AFFIDAVIT)</i>
Attach owner/operator's affidavit indicating that an annual review has been performed by a certified public accountant to determine whether the privately owned landfill is in compliance with IAC 567 Chapter 113. 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*
Trust Fund 567 IAC 113.14(6)"a"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Surety Bond 567 IAC 113.14(6)"b"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Letter of Credit 567 IAC 113.14(6)"c"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Insurance 567 IAC 113.14(6)"d"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Corporate Financial Test 567 IAC 113.14(6)"e"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Local Gov't. Financial Test 567 IAC 113.14(6)"f"	12/1/2007	Closure <input checked="" type="checkbox"/> Postclosure <input checked="" type="checkbox"/> Corrective Action <input type="checkbox"/>	\$ 1,619,477
Corporate Guarantee 567 IAC 113.14(6)"g"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Local Gov't Guarantee 567 IAC 113.14(6)"h"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Local Gov't. Dedicated Fund 567 IAC 113.14(6)"i"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$

*Pursuant to IAC 567 113.14(9), if account(s) are restricted/reserved to pay for closure, postclosure or corrective action costs, then the amount of the financial assurance instrument may be reduced by the sum of the cash balance of the account(s) established to comply with subrule 113.14(8).

Section 6: INITIAL PROOF OF ESTABLISHMENT OF ACCOUNTS

Check Which Applies: New Mechanism Previously Submitted

Pursuant to IAC 567 Chapter 113.14(8)"p", documentation of the establishment of accounts is to be submitted to the department by April 1, 2003 for currently permitted MSWLFs. Permit holders for MSWLFs permitted after April 1, 2003, shall submit documentation of the establishment of accounts prior to the MSWLF's initial receipt of waste.

Please attach documentation indicating accounts/fund have been established for closure and postclosure care and if the account(s) are restricted/reserved for closure or postclosure care. Examples of documentation include bank statements for closure/postclosure accounts, letter signed by the chief financial officer, letter from certified public accountant, etc.

Accounts established pursuant to paragraph 113.14(6)"a" for trust funds or paragraph 113.14(6)"i" for local government dedicated funds also satisfies the requirements of this subrule, and the permit holder shall not be required to establish additional closure and postclosure accounts.

Section 7: CLOSURE AND POSTCLOSURE ACCOUNTS

Completion of the following closure and postclosure account information complies with the annual financial statement requirements of IAC 567 113.14(3)"a" and 113.14(4)"a" by indicating the current balance(s) of the closure/postclosure account(s) or dedicated/trust fund and the projected amount(s) to be deposited in the account(s).

Under "Beginning Balance", please state the account/fund balance 30 days after the start of the previous fiscal year, for "Ending Balance", indicate the account 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
Closure Account Balance <i>(see formula below)</i>	\$	\$	\$
Postclosure Account Balance <i>(see formula below)</i>	\$	\$	\$
Or			
Dedicated Fund Balance <i>(see formula below)</i>	\$	\$	\$
Trust Fund Balance <i>(see formula below)</i>	\$	\$	\$

Formula for Projected Deposits

Closure or Postclosure Account	Dedicated/Trust Fund
$\frac{CE - CB}{RPC} \times TR$	$\frac{CE - CB}{Y}$
<p>Where "CE" is the closure or postclosure cost estimate, "CB" is the balance 30 days after close of the previous fiscal year, "RPC" is the remaining permitted capacity in tons, of the landfill from the beginning of the current fiscal year, and "TR" is the total number of tons of solid waste disposed in the prior year.</p>	<p>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.</p>

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

Closure	Postclosure

Section 8: 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 113.		
Mark Roberts	Director, Finance & Administrative Services	
Name of Official	Title	
Muscatine Power and Water		
Agency/Entity		
3205 Cedar Street		
Address		
Muscatine	IA	52761
City	State	Zip
563-262-3303	N/A	
Telephone	Fax	
mark.roberts@mpw.org		
Email Address		

	Director, Finance & Administrative Services	May 21, 2024
Signature of Official	Title	Date

Questions? Contact Bill Blum at (515) 725-8376 or Bill.Blum@dnr.iowa.gov

11228 Aurora Avenue
Des Moines, Iowa 50322-7905
United States
ghd.com



Our reference: 12606359-LTR-04

March 07, 2024

Mr. Sam Bennett
Muscatine Power and Water
3205 Cedar Street
Muscatine, Iowa 52760

Closure and Post Closure Estimate for Muscatine Power and Water Coal Combustion Residue Landfill

Dear Mr. Bennett:

1. Introduction and Certification

GHD prepared this letter to provide Muscatine Power and Water (MPW) with cost estimates for closure and post-closure of the MPW Coal Combustion Residue (CCR) landfill (Landfill) in accordance with the Financial Assurance requirements of Chapter 567—103.3, Iowa Administrative Code (IAC). This letter addresses the 2024 update to the closure and post-closure estimates for the MPW Landfill located in the SW ¼ of Section 16, Township 76N, Range 3W in Muscatine County, Iowa (Landfill).

	I hereby certify that this engineering document was prepared by me or under my direct personal supervision and that I am a duly licensed Professional Engineer under the laws of the State of Iowa.	
	 Michael J. Alowitz, P.E.	<u>3/7/24</u> Date
	License Number:	18160
	My license renewal date is:	December 31, 2024
	Pages or sheets covered by this seal:	Entire Document

1.1 Estimate Structure

Details in this letter are organized to include the components listed in subparagraphs 567—103.3(3)c(6) and 103.3(4)c(6), IAC. For each of the components listed, information is provided in Sections 2 and 3 of this letter to support the estimate.

1.2 Estimate Basis

These cost estimates have been prepared to address closure of the Landfill at the point in permitted operation at which closure would be most expensive. The estimates are to be revised annually to allow for inflation and other changes in conditions and costs. At the time of a Permit Amendment, the cost estimates are to be revised. The scope of these cost estimates only addresses the areas permitted for CCR disposal as of March 1, 2024.

Earthwork is the largest component of closure costs, specifically the capping of the landfill; therefore, the most expensive point for closure will coincide with the time at which the most Monofill surface area remains to be capped. It is estimated that the point will occur when 12 acres of surface area remain to be final closed. Previous work has installed the final cover on much of the formerly active areas of the Landfill. Currently phases I and II of the monofill are in use while phases III and IV are planned for future development.

GHD prepared the estimates using several sources of data, including bid information for earthwork projects; verbal prices received from service providers; industry standard values; vendor prices lists; and projections for engineering or design services. The cost estimates are provided in 2024 dollars and presented in Table 1. Significant variables for future comparison include changing permit requirements and changes to CCR production and recycling rates.

1.3 2024 Updates

This letter updates the cost estimates previously prepared by others. The current estimate was revised and unit pricing updated for all cost items. An inflation factor was not applied as all rates were evaluated. There are no significant updates to monofill operations or closure progress that affect the previous estimate approach.

2. Closure Costs

The required components of the closure cost estimates listed in subparagraph 567—103.3(3)c(6), IAC are presented below. Supporting information is provided in Table 1.

2.1 Closure and Post-Closure Plan Document Revisions

The scope of this component of the cost estimate includes a terrestrial survey, cap construction drawings, and closure and post-closure plan revisions. Since the point at which closure will be the most expensive is not consistent with the end of the life of the Monofill, new final cap drawings will need to be created and site conditions such as drainage and erosion control will need to be evaluated for all closure scenarios included in these estimates.

2.2 Site Preparation, Earthwork, and Final Grading

Site grading and preparation can include consolidating CCR, modifying existing temporary capping, or associated site and site access grading. For this component of the cost estimate, it is assumed no off-site material will be brought on site and the cost components consist of excavating and recompacting material.

2.3 Drainage Control Culverts, Piping, and Structures

The actual drainage control culverts, piping, and structures would be evaluated at the time a final cap design is created. Currently, there are assumptions that two culverts would need to be installed along with road improvements.

2.4 Erosion Control Structures, Sediment Ponds, and Terraces

Erosion control structures, sediment ponds, and terraces will be determined during a final capping design. This item assumes sediment work, rip rap placement, and other site work is required for erosion control during closure construction.

2.5 Final Cap Construction

The approved cap system includes 18-inch of low permeability soil overlain by a 12-inch rooting zone. It is assumed these materials can be procured from on-site.

2.6 Cap Vegetation Soil Placement

The vegetative soil rooting zone material is assumed available from on-site borrow.

2.7 Cap Seeding, Mulching, and Fertilization

The estimated cap/cover area is 12 acres but additional areas are expected to be disturbed and require seeding as reflected in the cost estimate.

2.8 Monitoring Well and Piezometer Modifications

Two monitoring wells are assumed to need a riser extension to accommodate final grading.

2.9 Leachate System Cleanout and Extraction Well Modifications

No modifications to the leachate system are anticipated for closure construction. Ongoing maintenance is a post-closure expense.

2.10 Monitoring Well Installations and Abandonments

Two wells are assumed to be abandoned and two new wells installed during the closure process.

2.11 Facility Modifications to Affect Closed Status

Facility modifications to affect closed status is assumed to include updating of signage to indicate the Landfill is closed and securing gates as necessary.

2.12 Engineering and Technical Services

Engineering and technical services during closure activities include construction oversight, documentation, and field testing. Since the scope of these activities is tied to the amount of earthwork, costs are calculated as a percentage of the estimated cost for completion of closure construction activities.

2.13 Legal, Financial, and Administrative Services

The scope of third-party legal, financial, and administrative services required to complete closure activities will vary but includes adding a deed notation that the property was used as a CCR Monofill.

2.14 Closure Compliance Certifications and Documentation

The scope of closure compliance certifications and documentation includes providing the IDNR with assurance that the closure and construction activities have been completed in compliance with the permit. Documentation will likely include test results, construction photographs, and a signed engineer's statement attesting to completion of the closure activities. This category of the cost estimate is also expected to include updates to the IDNR during construction activities.

3. Post-Closure Costs

The required components of the post-closure cost estimates listed in subparagraph 567—103.3(4)c(6), IAC are presented below. The post-closure period is assumed to be 10 years based on the current operating permit.

3.1 General Site Facilities, Access Roads, and Fencing Maintenance

During the post-closure period, site access roads must be maintained to permit cap maintenance. Site control through fencing must also be maintained. The amount of maintenance required will vary and be dependent on weather and adjacent site activities. A maintenance allowance has been allotted for each year of the post-closure period; however, the actual annual maintenance activities and costs are expected to vary.

3.2 Cap and Vegetative Cover Maintenance

Erosion of the cap must be monitored during the post-closure period and damage repaired. An allowance has been made for annual repair; however, the scope of maintenance activities will be highly dependent on-site conditions and activities.

3.3 Drainage and Erosion Control System Maintenance

Maintenance of a drainage and erosion control system may include removing soil or vegetation from drainage ways, replacing riprap, or other erosion control methods. As with other maintenance activities, the actual scope of required work will be highly variable and a maintenance allowance has been made in the cost estimates.

3.4 Groundwater-to-Waste Separation Systems Maintenance

The Landfill includes an underdrain system to help convey upgradient groundwater to the downgradient portion of the site. An allowance has been made for annual repair; however, the scope of maintenance activities will be highly dependent on-site conditions.

3.5 Groundwater and Surface Water Monitoring Systems Maintenance

Maintenance of monitoring wells may include installation of replacement wells, replacement of protective casings, grading around wells, or surveying. To account for the possibility of these maintenance activities, an annual allowance has been made in the cost estimate. At the conclusion of the post-closure period, monitoring wells will be abandoned. Costs for well abandonment at the end of the post-closure period are included.

3.6 Groundwater and Surface Water Quality Monitoring and Reports

Semi-annual groundwater sampling and annual reporting are required during the post-closure period. The sampling costs reflect an estimate of an outside provider completing the work. An annual report will be completed and is included in this cost estimate.

3.7 Groundwater Monitoring Systems Performance Evaluations and Reports

Evaluations of the groundwater monitoring systems are included in the annual water quality monitoring report and no additional costs are allocated.

3.8 Leachate Control Systems Maintenance

Maintenance of the leachate system may include cleaning conveyance lines and manholes, pump replacement, or other efforts to ensure leachate continues to be collected the Landfill during the post-closure period. As with other maintenance activities, the actual scope of required work will be highly variable and a maintenance allowance has been made in the cost estimates.

3.9 Leachate Management, Transportation, and Disposal

Leachate discharges from the Landfill via a National Pollutant Discharge Elimination System (NPDES) permit. It is assumed this remains in place following closure and associated leachate management activities include sampling and NPDES reporting.

3.10 Leachate Control Systems Performance Evaluations and Reports

An annual report of leachate production and management system performance is required during the post-closure period. The data for assessment of the control system would be acquired during the leachate management, transportation, and disposal operations. Additional costs are allocated to prepare the annual leachate system performance evaluation which is typically part of the annual groundwater quality report.

3.11 Facility Inspections and Reports

An annual engineering inspection of the completed cap is required. The engineering inspection will be documented in a report to the IDNR. The inspection typically consists of visual observation of the cover and noted apparent deficiencies in the cap thickness, erosion patterns, or areas where vegetation is not established. This item also assume monthly inspections are conducted.

3.12 Engineering and Technical Services

An annual allowance for engineering and technical services has been made in the cost estimate. The scope of engineering services during the post-closure period will likely be limited to support for permit modifications or changes to erosion control features. Additional services such as groundwater sampling or the annual engineering inspection are included in other components of the cost estimate. The costs of third-party financial assurance, accounting, audits, and reports will vary. An annual allowance is included in the cost estimate

3.13 Legal, Financial, and Administrative Services

The scope of third-party legal, financial, and administrative services required to complete closure activities will vary. An annual allowance is included in the cost estimate.

3.14 Financial Assurance, Accounting, Audits, and Reports

The costs of third-party financial assurance, accounting, audits, and reports will vary. An annual allowance is included in the cost estimate.

Regards,



Michael Alowitz, P.E.
Project Manager
515-414-3934
michael.alowitz@ghd.com

MA/lg/LTR-4

Copy to: Jean Brewster, MPW
Neil Hoskins, MPW



Kevin G. Armstrong, C.P.G., P.M.P.
Project Director

515-414-3935
kevin.amrstrong@ghd.com

Table 1

**Muscatine Power and Water CCR Monofill
Closure and Post-Closure Cost Estimate
March 2024**

	Unit	Unit Cost	Quantity	Total
CLOSURE				
1 Closure and Post-Closure Plan (C/PC) document revisions. C/PC Plan, Hydrologic Monitoring System Plan (HMSP) Survey	Lump	\$55,000	1	\$55,000
	Lump	\$16,000	1	\$16,000
2 Site preparation, earthwork, and final grading. Grading	CY	\$5.15	15,000	\$77,250
Coal Combustion Residue (CCR) Grading	CY	\$4.20	7,500	\$31,500
3 Drainage control culverts, piping, and structures.	Lump	\$100,000	1	\$100,000
4 Erosion control structures, sediment ponds, and terraces.	Lump	\$200,000	1	\$200,000
5 Final cap earthen construction.	CY	\$7.00	29,000	\$203,000
6 Cap vegetation soil placement. Mobilization/Appurtenant Work (percent of earthwork)	CY	\$3.75	19,000	\$71,250
	Percent	5%	1	\$34,150
7 Cap seeding, mulching, and fertilization.	Acre	\$4,500	18	\$81,000
8 Monitoring well and piezometer modifications.	Lump	\$500	2	\$1,000
9 Leachate system cleanout and extraction well modifications.	Lump	\$0	0	\$0
10 Monitoring well installations and abandonments	Lump	\$5,500	2	\$11,000
	Lump	\$800	2	\$1,600
11 Facility modifications to effect closed status.	Lump	\$5,000	1	\$5,000
12 Engineering and technical services (percent of earthwork).	Percent	15%	1	\$119,723
13 Legal, financial, and administrative services.	Lump	\$60,000	1	\$60,000
14 Closure compliance certifications and documentation.	Lump	\$60,000	1	\$60,000
		Closure Subtotal		\$1,127,473
10 YEAR POST CLOSURE				
1 General site facilities, access roads, and fencing maintenance.	Annual	\$6,000	10	\$60,000
2 Cap and vegetative cover maintenance.	Annual	\$6,000	10	\$60,000
3 Drainage and erosion control system maintenance.	Annual	\$2,500	10	\$25,000
4 Groundwater to waste separation systems maintenance.	Annual	\$2,500	10	\$25,000
5 Groundwater and surface water monitoring systems maintenance. Annual Allowance for Repairs	Annual	\$1,200	10	\$12,000
Well Abandonment	Well (one time)	\$800	19	\$15,200
6 Groundwater/surface water quality monitoring and reports.	Annual	\$55,000	10	\$550,000
7 Groundwater/surface water evaluations and reports.	Annual	\$0	10	\$0
8 Leachate control systems maintenance.	Annual	\$2,500	10	\$25,000
9 Leachate management, transportation, and disposal.	Annual	\$5,000	10	\$50,000
10 Leachate control systems performance evaluations and reports.	Annual	\$2,000	10	\$20,000
11 Facility inspections and reports.	Annual	\$7,500	10	\$75,000
12 Engineering and technical services.	Annual	\$5,000	10	\$50,000
13 Legal, financial, and administrative services.	Annual	\$5,000	10	\$50,000
14 Financial assurance, accounting, audits, and reports.	Annual	\$5,000	10	\$50,000
		Post-Closure Subtotal		\$1,067,200
		Total Closure and Post-Closure Cost Estimate		\$2,194,673

Notes:

Start Date For Financial Calculations is March 1, 2024.

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

FINANCIAL STATEMENTS

Including Independent Auditor's Report

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

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

Eide Bailly LLP

Dubuque, Iowa
April 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
MUSCATINE POWER AND WATER

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

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

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

UTILITY FINANCIAL ANALYSIS

ELECTRIC UTILITY

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

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

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

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

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

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

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

Statements of Net Position

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

2023 COMPARED TO 2022

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

Offset by decrease of:

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

2023 COMPARED TO 2022 (cont.)

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

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

Statements of Revenue, Expenses and Changes in Net Position

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

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

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

Statements of Cash Flows

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

2023 COMPARED TO 2022

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

Offset by:

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

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

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

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

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY

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

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

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

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

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

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

2023 COMPARED TO 2022

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

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

Statements of Revenue, Expenses and Changes in Net Position

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

2023 COMPARED TO 2022

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

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

Statements of Cash Flows

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

2023 COMPARED TO 2022

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

COMMUNICATIONS UTILITY

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

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

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

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

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

Statements of Net Position

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2023 COMPARED TO 2022

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

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

Statements of Revenue, Expenses and Changes in Net Position

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

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2023 COMPARED TO 2022

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

Statements of Cash Flows

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2023 COMPARED TO 2022

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

CONTACTING UTILITY MANAGEMENT

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

MUSCATINE POWER AND WATER

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

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
ASSETS								
CURRENT ASSETS								
Unrestricted Assets								
Cash	\$ 19,731,624	\$ 18,985,498	\$ 885,518	\$ 2,181,603	\$ 223,057	\$ 5,110,624	\$ 20,840,200	\$ 26,277,725
Investments	43,244,749	49,045,773	2,950,000	300,000	7,800,000	4,066,355	53,994,749	53,412,127
Receivables:								
Customer accounts, net	6,869,188	8,138,977	934,575	908,200	1,695,033	1,514,930	9,498,796	10,562,108
Interest	1,093,509	293,668	67,986	1,890	213,487	17,654	1,374,982	313,212
Inventories:								
Fuel	20,109,436	9,373,856	-	-	-	-	20,109,436	9,373,856
Emission allowances	580,480	580,480	-	-	-	-	580,480	580,480
Materials and supplies	4,769,301	4,321,575	570,323	510,213	791,403	560,366	6,131,027	5,392,154
Prepaid and other expenses	907,333	750,758	53,872	48,419	356,870	237,215	1,318,076	1,036,393
Total Unrestricted Assets	97,305,621	91,490,585	5,462,274	3,950,325	11,079,850	11,507,144	113,847,746	106,948,054
Restricted Assets - Cash	-	-	946,700	947,950	-	-	946,700	947,950
Total Current Assets	97,305,621	91,490,585	6,408,974	4,898,275	11,079,850	11,507,144	114,794,446	107,896,004
NON-CURRENT ASSETS								
Capital Assets								
Utility plant in service	439,746,216	433,139,032	45,159,187	43,387,066	30,396,492	28,817,310	515,301,895	505,343,407
Subscription based IT assets	686,287	139,213	253,761	12,031	504,085	20,624	1,444,134	171,868
Construction work in progress	1,136,242	3,270,769	277,425	556,109	634,633	413,920	2,048,300	4,240,798
Less: accumulated depreciation/amortization	(371,295,432)	(364,802,937)	(14,114,404)	(13,143,380)	(12,665,566)	(10,093,249)	(398,075,402)	(388,039,565)
Total Capital Assets	70,273,314	71,746,077	31,575,968	30,811,827	18,869,645	19,158,604	120,718,927	121,716,508
Other Assets								
Note receivable from communications utility	3,618,211	5,119,279	-	-	-	-	3,618,211	5,119,279
Note receivable from water utility	1,750,981	-	-	-	-	-	1,750,981	-
Unamortized debt insurance costs	-	-	35,063	38,332	-	-	35,063	38,332
Joint venture rights	144,450	144,158	-	-	-	-	144,450	144,158
Net pension asset	-	757,144	-	25,088	-	108,785	-	891,017
Total Other Assets	5,513,642	6,020,560	35,063	63,420	-	108,785	5,548,705	6,192,786
Total Non-Current Assets	75,786,956	77,766,637	31,611,032	30,875,247	18,869,645	19,267,389	126,267,632	127,909,294
Total Assets	173,092,577	169,257,243	38,020,006	35,773,522	29,949,495	30,774,533	241,062,078	235,805,298
DEFERRED OUTFLOWS OF RESOURCES								
OPEB deferred outflows of resources	194,422	218,255	27,547	30,679	41,522	46,389	263,490	295,322
Pension deferred outflows of resources	14,501,829	5,958,088	1,267,549	596,910	2,596,162	1,087,086	18,365,540	7,842,083
Plant decommissioning	10,418,452	-	-	-	-	-	10,418,452	-
Total Deferred Outflows of Resources	25,114,703	6,176,343	1,295,095	627,589	2,637,683	1,133,474	29,047,482	7,937,406
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 198,207,280	\$ 175,433,585	\$ 39,315,101	\$ 36,401,111	\$ 32,587,178	\$ 31,908,008	\$ 270,109,560	\$ 243,742,704

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	Restated		Restated		Restated		Restated	
	2023	2022	2023	2022	2023	2022	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
CURRENT LIABILITIES								
Payable From Unrestricted Assets								
Trade accounts payable	\$ 2,529,871	\$ 3,363,524	\$ 277,811	\$ 338,736	\$ 602,494	\$ 603,790	\$ 3,410,177	\$ 4,306,049
Accrued expenses	3,080,560	3,062,814	293,637	320,872	465,467	499,822	3,939,684	3,883,508
Unearned revenue	6,888	15,693	1,200	1,200	17,500	17,500	25,388	34,393
Customer deposits	1,015,912	1,057,357	-	-	-	-	1,015,912	1,057,357
Non-customer deposits	270,000	-	-	-	-	-	270,000	-
Subscription based IT arrangements	169,905	47,575	58,022	4,111	114,860	7,048	342,787	58,734
Current portion of long-term debt	-	-	-	-	1,468,994	1,429,565	1,468,994	1,429,565
Total Payable From Unrestricted Assets	7,072,956	7,546,962	630,671	664,919	2,669,315	2,557,725	10,372,941	10,769,606
Payable From Restricted Assets								
Current portion of long-term debt	-	-	705,351	425,000	-	-	705,351	425,000
Accrued interest payable	-	-	41,808	43,579	-	-	41,808	43,579
Total Payable From Restricted Assets	-	-	747,160	468,579	-	-	747,160	468,579
Total Current Liabilities	7,072,956	7,546,962	1,377,831	1,133,498	2,669,315	2,557,725	11,120,101	11,238,185
NON-CURRENT LIABILITIES								
Note payable to electric utility	-	-	1,490,629	-	3,618,211	5,119,279	5,108,840	5,119,279
Long-term debt, net of current portion	-	-	12,040,000	12,485,000	4,239,542	5,708,536	16,279,542	18,193,536
Unamortized bond premium	-	-	388,145	470,200	-	-	388,145	470,200
Unearned revenue	-	-	-	-	106,980	124,480	106,980	124,480
Total OPEB liability	823,745	847,241	120,609	123,687	174,848	179,647	1,119,202	1,150,584
Health and dental care provision	270,437	125,634	588	6,118	570	9,994	271,595	141,745
Net pension liability	19,019,749	53,311	1,820,447	322,785	3,428,236	53,487	24,268,432	429,583
Subscription based IT arrangements	348,132	44,337	154,113	3,832	308,246	6,569	810,491	54,737
Plant decommissioning	12,012,000	-	-	-	-	-	12,012,000	-
Landfill closure and post-closure liability	1,220,335	1,184,967	-	-	-	-	1,220,335	1,184,967
Total Non-Current Liabilities	33,694,398	2,255,489	16,014,531	13,411,632	11,876,633	11,201,990	61,585,561	26,869,111
Total Liabilities	40,767,353	9,802,451	17,392,362	14,545,130	14,545,947	13,759,715	72,705,662	38,107,296
DEFERRED INFLOWS OF RESOURCES								
Extraordinary O&M - regulatory deferred inflow	28,032,866	28,032,866	-	-	-	-	28,032,866	28,032,866
OPEB deferred inflows of resources	78,108	62,581	12,055	10,014	16,740	13,569	106,903	86,164
Pension deferred inflows of resources	354,709	10,403,185	82,338	858,351	61,963	1,872,773	499,010	13,134,309
Total Deferred Inflows of Resources	28,465,684	38,498,632	94,393	868,365	78,703	1,886,342	28,638,780	41,253,339
NET POSITION								
Net investment in capital assets	69,755,277	71,654,165	18,490,688	17,423,684	12,738,003	12,006,887	100,983,968	101,084,736
Restricted for debt service	-	-	904,892	904,371	-	-	904,892	904,371
Unrestricted	59,218,866	55,478,337	2,432,767	2,659,561	5,224,525	4,255,064	66,876,258	62,392,962
Total Net Position	128,974,243	127,132,502	21,828,346	20,987,616	17,967,528	16,261,951	168,765,118	164,382,068
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 198,207,280	\$ 175,433,585	\$ 39,315,101	\$ 36,401,111	\$ 32,587,178	\$ 31,908,008	\$ 270,109,561	\$ 243,742,704

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

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

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
OPERATING REVENUES								
Retail sales	\$ 65,292,047	\$ 63,098,700	\$ 8,336,275	\$ 7,981,928	\$ 15,522,188	\$ 15,657,460	\$ 89,150,508	\$ 86,738,089
Wholesale electric sales	30,455,820	73,329,441	-	-	-	-	30,455,820	73,329,441
Steam sales	-	8,917,808	-	-	-	-	-	8,917,808
Other	2,262,832	1,491,020	38,562	40,420	88,484	143,990	2,389,878	1,675,430
Total Operating Revenues	<u>98,010,699</u>	<u>146,836,969</u>	<u>8,374,837</u>	<u>8,022,349</u>	<u>15,610,671</u>	<u>15,801,450</u>	<u>121,996,207</u>	<u>170,660,768</u>
OPERATING EXPENSES								
Production fuel	15,575,543	25,979,059	-	-	-	-	15,575,543	25,979,059
Purchased power	32,822,721	66,291,988	-	-	-	-	32,822,721	66,291,988
Emissions allowance	309,493	304,792	-	-	-	-	309,493	304,792
Other operating expenses	28,841,605	23,263,504	5,035,933	4,491,188	10,414,900	9,774,510	44,292,438	37,529,202
Maintenance	13,267,043	13,439,176	1,265,539	1,082,669	1,149,186	1,107,068	15,681,768	15,628,912
Depreciation/amortization	8,597,024	12,068,636	1,032,214	930,798	2,597,411	2,529,583	12,226,649	15,529,017
Total Operating Expenses	<u>99,413,429</u>	<u>141,347,154</u>	<u>7,333,687</u>	<u>6,504,654</u>	<u>14,161,496</u>	<u>13,411,161</u>	<u>120,908,613</u>	<u>161,262,969</u>
Operating Income/(Loss)	<u>(1,402,731)</u>	<u>5,489,815</u>	<u>1,041,150</u>	<u>1,517,694</u>	<u>1,449,175</u>	<u>2,390,289</u>	<u>1,087,594</u>	<u>9,397,799</u>
NON-OPERATING REVENUES (EXPENSES)								
Investment income	3,128,872	603,380	219,469	42,505	464,958	90,317	3,813,300	736,202
Interest income on note receivable from water/communications utility	112,826	33,065	-	-	-	-	112,826	33,065
Gain/(Loss) on asset disposal	20,935	6,792	116,715	(78,168)	6,250	(278,468)	143,901	(349,845)
Interest expense	(52,462)	(1,824)	(615,390)	(534,225)	(219,806)	(241,079)	(887,656)	(777,128)
Bond insurance costs	-	-	(3,269)	(3,373)	-	-	(3,269)	(3,373)
Bond premium amortization	-	-	82,055	87,552	-	-	82,055	87,552
Net Non-Operating Revenues (Expenses)	<u>3,210,171</u>	<u>641,413</u>	<u>(200,419)</u>	<u>(485,709)</u>	<u>251,403</u>	<u>(429,231)</u>	<u>3,261,154</u>	<u>(273,527)</u>
Net income before capital contributions	1,807,441	6,131,228	840,731	1,031,985	1,700,578	1,961,058	4,348,749	9,124,272
CAPITAL CONTRIBUTIONS								
	<u>34,300</u>	<u>10,496</u>	<u>-</u>	<u>215,415</u>	<u>-</u>	<u>-</u>	<u>34,300</u>	<u>225,911</u>
CHANGE IN NET POSITION	1,841,741	6,141,724	840,731	1,247,400	1,700,578	1,961,058	4,383,049	9,350,183
NET POSITION - Beginning of Year as restated	<u>127,132,502</u>	<u>120,990,777</u>	<u>20,987,616</u>	<u>19,740,216</u>	<u>16,261,951</u>	<u>14,300,892</u>	<u>164,382,068</u>	<u>155,031,886</u>
NET POSITION - END OF YEAR	<u>\$ 128,974,243</u>	<u>\$ 127,132,502</u>	<u>\$ 21,828,346</u>	<u>\$ 20,987,616</u>	<u>\$ 17,962,528</u>	<u>\$ 16,261,951</u>	<u>\$ 168,765,118</u>	<u>\$ 164,382,068</u>

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

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

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from retail sales	\$ 65,694,803	\$ 62,974,275	\$ 8,311,199	\$ 8,024,296	\$ 15,058,759	\$ 15,485,175	\$ 89,064,761	\$ 86,483,746
Cash received from wholesale electric sales	31,188,369	73,238,667	-	-	-	-	31,188,369	73,238,667
Cash received from steam sales	679,778	9,083,571	-	-	-	-	679,778	9,083,571
Cash received from coal sales	-	200,157	-	-	-	-	-	200,157
Cash received from advertising sales	-	-	-	-	351,297	289,089	-	289,089
Cash received from by-product sales	533,440	427,949	-	-	-	-	533,440	427,949
Cash received from other operating sources	1,538,631	979,708	51,730	40,181	3,191	10,619	1,593,552	1,030,507
Cash paid for coal and gas	(25,821,806)	(25,676,128)	-	-	-	-	(25,821,806)	(25,676,128)
Cash paid for purchased power	(32,822,721)	(66,291,988)	-	-	-	-	(32,822,721)	(66,291,988)
Cash paid to suppliers	(17,528,422)	(19,407,093)	(3,684,142)	(3,283,062)	(7,754,010)	(7,156,831)	(28,966,575)	(29,846,986)
Cash paid for employee payroll, taxes and benefits	(25,536,691)	(25,604,668)	(2,712,867)	(2,697,188)	(4,039,132)	(4,522,402)	(32,288,690)	(32,824,259)
Net Cash Flows From (Used For) Operating Activities	(2,074,619)	9,924,450	1,965,920	2,084,226	3,620,104	4,105,650	3,511,404	16,114,328
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Interest received on note receivable from Communications utility	25,596	33,064	-	-	-	-	25,596	33,064
Principal received on note receivable from Communications utility	1,501,068	1,493,600	-	-	-	-	1,501,068	1,493,600
Interest received on note receivable from Water utility	-	87,230	-	-	-	-	-	87,230
Principal paid on note receivable from Water utility	(1,750,981)	-	-	-	-	-	(1,750,981)	-
Net Cash Flows From (Used For) Non-Capital Financing Activities	(137,086)	1,526,664	-	-	-	-	(137,086)	1,526,664
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(5,104,588)	(12,780,211)	(1,592,163)	(1,702,168)	(1,898,962)	(865,424)	(8,595,713)	(15,347,803)
Net proceeds from sale/disposal of assets	20,935	27,724	116,715	3,449	6,250	16,440	143,900	47,613
Debt proceeds	-	-	2,000,000	-	-	-	2,000,000	-
Bond principal payments	-	-	(425,000)	(410,000)	-	-	(425,000)	(410,000)
Bond interest payments	-	-	(629,931)	(535,250)	-	-	(629,931)	(535,250)
Debt principal payments	-	-	(249,019)	-	(2,930,633)	(2,895,468)	(3,179,653)	(2,895,468)
Debt interest payments	-	-	(87,230)	-	(219,806)	(241,079)	(307,036)	(241,079)
Net Cash Flows From (Used For) Capital and Related Financing Activities	(5,083,653)	(12,752,487)	(766,628)	(2,643,969)	(5,043,151)	(3,985,531)	(10,893,433)	(19,381,987)
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from investments matured and sold	51,844,969	52,574,820	1,000,000	-	5,566,355	2,500,000	58,411,323	55,074,820
Investments purchased	(48,043,945)	(63,653,587)	(3,650,000)	(300,000)	(9,300,000)	(4,066,355)	(58,993,945)	(68,019,942)
Purchase of joint venture rights	(86,570)	(98,880)	-	-	-	-	(86,570)	(98,880)
Interest received on investments	2,329,031	324,880	153,373	40,615	269,126	74,632	2,751,530	440,127
Net Cash Flows From (Used For) Investing Activities	8,041,485	(10,852,767)	(2,496,627)	(259,385)	(3,464,519)	(1,491,723)	2,080,338	(12,603,875)
Net Increase (Decrease) in Cash	746,126	(12,154,140)	(1,297,335)	(819,128)	(4,887,566)	(1,371,604)	(5,438,776)	(14,344,871)
CASH - Beginning of Year								
Current unrestricted cash	18,985,498	31,139,636	2,181,603	3,003,431	5,110,624	6,482,228	26,277,725	40,625,295
Current restricted cash	-	947,950	947,950	945,250	-	-	947,950	945,250
CASH - END OF YEAR								
Current unrestricted cash	19,731,624	18,985,498	885,518	2,181,603	223,057	5,110,624	20,840,200	26,277,725
Current restricted cash	-	-	946,700	947,950	-	-	946,700	947,950
	\$ 19,731,624	\$ 18,985,498	\$ 1,832,218	\$ 3,129,553	\$ 223,057	\$ 5,110,624	\$ 21,786,900	\$ 27,225,675

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES								
Operating income/(loss)	\$ (1,402,731)	\$ 5,489,815	\$ 1,041,150	\$ 1,517,684	\$ 1,449,175	\$ 2,390,289	\$ 1,087,595	\$ 9,397,799
Non-Cash items in operating income (loss)	8,597,024	12,036,408	1,032,214	930,798	2,597,411	2,529,583	12,226,649	15,496,789
Depreciation/amortization	88,277	83,938	-	-	-	-	86,277	83,938
Amortization of joint venture rights								
Changes in assets, liabilities, and deferrals								
Customer accounts receivable	1,304,089	79,921	(26,375)	(29,632)	(180,102)	933	1,097,612	51,222
Inventories	(11,183,306)	(2,390,639)	(60,110)	(57,711)	(231,038)	(234,623)	(11,474,454)	(2,682,973)
Prepaid and other expenses	(156,575)	88,159	(5,453)	(6,098)	(119,655)	10,275	(281,663)	92,335
Trade accounts payable	(833,653)	(601,973)	(60,924)	72,864	(1,295)	78,302	(895,872)	(451,007)
Accrued expenses	356,612	(1,412,112)	(32,765)	(37,924)	(43,780)	(26,390)	280,068	(1,476,427)
OPEB related deferrals and liabilities	15,864	11,488	(3,088)	3,208	(4,798)	4,984	7,977	19,680
Pension related deferrals and liabilities	1,154,861	(3,478,733)	81,272	(308,773)	171,686	(630,202)	1,407,819	(4,417,709)
Unearned revenue	(9,005)	(120,347)	-	-	(17,500)	(17,500)	(26,505)	(137,848)
Customer deposits	(41,445)	56,971	-	-	-	-	(41,445)	56,971
Landfill closure and post closure liability	35,368	81,557	-	-	-	-	35,368	81,557
NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES	\$ (2,074,619)	\$ 9,924,451	\$ 1,965,920	\$ 2,084,226	\$ 3,620,104	\$ 4,105,650	\$ 3,511,404	\$ 16,114,327

SUPPLEMENTAL SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES

Unpaid capital expenditures	\$ 83,594	\$ 584,386	\$ -	\$ 125,719	\$ -	\$ 88,590	\$ 83,594	\$ 798,695
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MUSCATINE POWER AND WATER

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

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

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

For the Years Ended December 31, 2023 and 2022

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

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MUSCATINE POWER AND WATER

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND STANDARDS OF ACCOUNTING

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

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

REPORTING ENTITY

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

MEASUREMENT FOCUS, STANDARDS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

CASH AND CASH EQUIVALENTS

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

MUSCATINE POWER AND WATER

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

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

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

RECEIVABLES

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

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

INVENTORIES

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

CAPITAL ASSETS (cont.)

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

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

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

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

DEFERRED OUTFLOW OF RESOURCES

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

MUSCATINE POWER AND WATER

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

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

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

CUSTOMER ADVANCES FOR CONSTRUCTION

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

COMPENSATED ABSENCES

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

ACCRUED EXPENSES

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

UNEARNED REVENUE

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

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

PENSIONS LIABILITY

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and determining pension expense, information about the fiduciary plan net position of Muscatine Water and Electric Employees' Pension Plan and the Iowa Public Employees' Retirement System and additions to and deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Notes 8, 10 and 11 for additional information.

LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

MUSCATINE POWER AND WATER

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

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

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

PLANT DECOMMISSIONING

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

SUBSCRIPTION LIABILITY

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

DEFERRED INFLOWS OF RESOURCES

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

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

NET POSITION

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

CHARGES FOR SERVICES

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

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

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

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

OPERATING REVENUES AND EXPENSES

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

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

CAPITAL CONTRIBUTIONS

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

INCOME TAX STATUS

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

MUSCATINE POWER AND WATER

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

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

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

IMPLEMENTATION OF GASB STATEMENT NO 96

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

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

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

The utilities had the following investments:

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

MUSCATINE POWER AND WATER

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

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK

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

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

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

Investments

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

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

CREDIT RISK

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

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

CONCENTRATION OF CREDIT RISK

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

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

MUSCATINE POWER AND WATER

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

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

INTEREST RATE RISK

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

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

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

FAIR VALUE MEASUREMENTS

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

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

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

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

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

CREDIT RISK

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

CONCENTRATIONS

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

DERIVATIVES

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

MUSCATINE POWER AND WATER

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

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

INTEREST RATE RISK

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

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

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

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

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

FAIR VALUE MEASUREMENTS

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

MUSCATINE POWER AND WATER

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

NOTE 3 – CAPITAL ASSETS

ELECTRIC UTILITY

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

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

NOTE 3 – CAPITAL ASSETS (cont.)

ELECTRIC UTILITY (cont.)

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

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

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

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

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY (cont.)

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

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

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

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

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY (cont.)

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

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

(1) – Capital assets not being depreciated

MUSCATINE POWER AND WATER

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

NOTE 4 – RESTRICTED ASSETS

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

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

NOTE 5 – NON-CURRENT LIABILITIES

NON-CURRENT LIABILITIES SUMMARY – ELECTRIC

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-Current Liabilities Maturity Schedule – Water

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS (cont.)

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES MATURITY SCHEDULE – COMMUNICATIONS

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

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

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

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

	<u>2023</u>	<u>2022</u>
Principal and interest paid	\$ 1,609,883	\$ 1,609,883
Net revenues	4,511,544	4,992,694

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

MUSCATINE POWER AND WATER

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

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

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

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

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

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

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

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

Remaining principal and interest payments on subscriptions are as follows:

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

MUSCATINE POWER AND WATER

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

NOTE 6 – NET POSITION

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

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 6 – NET POSITION (cont.)

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 6 – NET POSITION (cont.)

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

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

MUSCATINE POWER AND WATER

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

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

<i>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</i>			
	1% Decrease 3.38%	Discount Rate 4.38%	1% Increase 5.38%
Total OPEB Liability 12/31/23	\$1,231,359	\$1,127,680	\$1,035,545
	1% Decrease 2.09%	Discount Rate 3.09%	1% Increase 4.09%
Total OPEB Liability 12/31/22	\$1,267,144	\$1,159,290	\$1,063,175
<i>Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rate</i>			
	1% decrease	Trend Rate	1% Increase
Total OPEB Liability 12/31/23	\$1,018,617	\$1,127,680	\$1,255,652
Total OPEB Liability 12/31/22	\$1,047,170	\$1,159,290	\$1,290,849

There are no plan assets under this plan.

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

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

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

MUSCATINE POWER AND WATER

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

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

ACTUARIAL ASSUMPTIONS

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

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

MUSCATINE POWER AND WATER

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

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

Single-Employer Defined Benefit OPEB Plan Aggregate Tables

Aggregate Total OPEB Liability Schedule

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

Aggregate Deferred Outflows of Resources Schedule

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

Aggregate Deferred Inflows of Resources Schedule

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

Aggregate OPEB Expense Schedule

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

MUSCATINE POWER AND WATER

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

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

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

GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

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

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

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

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

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

MUSCATINE POWER AND WATER

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

NOTE 9 – FIDUCIARY PENSION TRUST FUND – GASB 67 DISCLOSURES

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

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

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

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

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

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

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

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

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

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) (cont.)

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

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

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

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

There were no non-employer contributing entities at IPERS.

ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 11 – AGGREGATE PENSION SCHEDULES

Aggregate Net Pension Liability Schedule - 2023

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

Aggregate Deferred Outflows of Resources Schedule - 2023

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

Aggregate Deferred Inflows of Resources Schedule - 2023

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

Aggregate Pension Expense Schedule - 2023

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – AGGREGATE PENSION SCHEDULES (cont.)

Aggregate Net Pension Liability Schedule (Asset) - 2022

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

Aggregate Deferred Outflows of Resources Schedule - 2022

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

Aggregate Deferred Inflows of Resources Schedule - 2022

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

Aggregate Pension Expense (Income) Schedule - 2022

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

MUSCATINE POWER AND WATER

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

NOTE 12 – SIGNIFICANT CUSTOMERS

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

NOTE 14 – ENVIRONMENTAL REGULATIONS

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

MUSCATINE POWER AND WATER

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

NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

NOTE 16 – RISK MANAGEMENT

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

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

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

NOTE 17 – JOINT VENTURE

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

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

MUSCATINE POWER AND WATER

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

NOTE 18 – CLOSURE AND POST-CLOSURE CARE COST

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

NOTE 19 – POWER PLANT DECOMMISSIONING

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

NOTE 20 – SUBSEQUENT EVENTS

COMMUNICATIONS RATES

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

POWER SUPPLY PLANNING

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

REQUIRED SUPPLEMENTARY INFORMATION

MUSCATINE POWER AND WATER

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

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

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Proportion of the Net Pension Liability	0.009364%	0.010823%	0.010630%	0.010151%	0.008276%
Proportionate share of the Net Pension Liability	\$432,059	\$429,583	\$14,902	\$708,117	\$482,470
Covered Valuation Payroll	\$841,327	\$915,758	\$862,746	\$799,956	\$634,088
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	51.4%	46.9%	1.7%	88.5%	76.1%
Plan Fiduciary Net Position as a % of the Total Pension Liability	89.2%	90.3%	99.6%	81.9%	84.4%

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Proportion of the Net Pension Liability	0.009012%	0.007749%	0.006906%	0.00916%
Proportionate share of the Net Pension Liability	\$570,121	\$483,234	\$343,338	\$363,277
Covered Valuation Payroll	\$579,595	\$551,040	\$476,102	\$595,572
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	98.4%	87.7%	72.1%	61.0%

The amounts presented were determined as of June 30.

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

CHANGES OF BENEFIT AND FUNDING TERMS:

There are no significant changes in benefit and funding terms.

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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

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

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

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

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

MUSCATINE POWER AND WATER

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

CHANGES IN ACTUARIAL ASSUMPTIONS CONT:

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

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded accrued liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

SCHEDULE OF THE UTILITY'S IPERS CONTRIBUTIONS:

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

Schedule of Changes in Net OPEB Liability

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

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

MUSCATINE POWER AND WATER

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

Schedule of Employer (ER) Contributions

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

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

See Independent Auditor's Report

MUSCATINE POWER AND WATER

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

METHODS AND ASSUMPTIONS USED TO DETERMINE OPEB LIABILITY:

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

SUPPLEMENTARY INFORMATION



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

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

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Utility's Response to Finding

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

Purpose of this Report

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



Dubuque, Iowa
April 22, 2024

Part I: Findings Related to the Financial Statements:

There were no findings to report.

Part II: Findings and Questioned Costs for Federal Awards:

Single audit did not apply for fiscal year 2023.

Part III: Other Findings Related to Required Statutory Reporting:

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

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

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

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

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

OTHER INFORMATION

MUSCATINE POWER AND WATER
 Schedule of Insurance Coverage
 December 31, 2023

Insurer	Type of Coverage	Policy's Expiration Date	Coverage	Retention	Amount of Coverage
FM Global Insurance Company	All risks:	4/1/2024	Named locations - maximum limit	\$1,000,000	Deductible per occurrence
	Actual Cash Value Limits (Location 2)		\$2,000,000	Location 2	
	Generating Unit 9		\$5,000,000		
	Generating Unit 7, 8, & 8A		\$10,000,000		
	Service Interruption - Communications		30 days		
	Automatic coverage (80 days)		\$25,000		
	Civil or military authority		\$10,000		
	Claim preparation costs		\$25,000,000		
	Communicable disease response		\$10,000		
	Contingent time element		\$25,000,000		
	Cyber event - data restoration		\$10,000		
	Cyber event - data service provider property damage		\$10,000		
	Cyber event - physical loss or damage		\$25,000,000		
	Data restoration		\$10,000,000		
	Data service provider property damage		\$5,000,000		
	Earth movement		\$100,000,000		
	Expediting costs and extra expense		\$10,000,000		
	Fine arts		\$100,000,000		
	Flood		30 days		
	Ingress/egress (30 days)		\$10,000		
	Interruption by communicable disease (365 days)		\$50,000		
	Land and water cleanup		180 days		
	Logistics Extra Cost		\$25,000,000		
Miscellaneous property - at location	\$15,000,000				
Miscellaneous property - not at location	\$5,000,000				
Terrorism	\$100,000,000				
Valuable papers and records					
Fidelity and Deposit Company of Maryland	Crime and Fidelity Coverage	4/1/2024	\$500,000		\$10,000 per occurrence
	Bonded Employees, Treasurers & Tax Collectors				
Zurich American Insurance Company	Employed Lawyers Liability & Crime	4/1/2024	\$1,000,000	\$0	
	Employed Lawyers Professional Liability Coverage		\$1,000,000	\$10,000	
	Named Insured Indemnity Coverage		\$10,000	N/A	
	Supplemental Payments Extensions - E-Discovery		\$0	N/A	
	Public Relations Expenses Extension		\$0	N/A	

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage (cont.)
December 31, 2023

Insurer	Type of Coverage	Policy's Expiration Date	Coverage	Retention	Amount of Coverage
AEGIS Insurance Services, Inc.	Excess liability: Automobile liability Product liability and completed operations Failure to supply Pollution liability Medical malpractice Emergency assistance agreements Joint venture liability (pro rata ownership) Employers liability Standards board activity Community service activity Wild fire liability Employment practices (1/23/88 retroactive date)	12/31/2023	\$35,000,000 each occurrence \$70,000,000 general aggregate	\$1,000,000	
					\$500,000 SIR each claimant; \$1,000,000 SIR each occurrence

