



Municipal Solid Waste Sanitary Landfill Financial Assurance Report Form

SECTION 1: FACILITY INFORMATION

(please print or type)

Information Requested

Facility Name: Leversee Road Ash Disposal Facility

Permit Number: 07-SDP-11-89P-CCR

Permitted Agency/Entity: Cedar Falls Utilities

SECTION 2: CLOSURE/POSTCLOSURE OR CORRECTIVE ACTION COST ESTIMATES

Information Requested	Cost Estimate	Date of Cost Estimate
Updated Closure Cost Estimate	\$ 0	
Updated Postclosure Cost Estimate	\$ 84,000	12/16/2024
Initial or Updated Corrective Action Cost Estimate	\$ 0	

*Attach closure/postclosure cost estimate(s) signed and certified by an Iowa-licensed professional engineer. Cost estimates shall include, at a minimum, each of the cost line items defined in 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	CLOSED
Amount of waste disposed of at the facility during the prior fiscal year	0

SECTION 4: PROOF OF COMPLIANCE

Publicly Owned Municipal Solid Waste Landfills

(ATTACH AUDIT REPORT)

Owner's Most Recent Annual Audit Report

Prepared by: Eide Bailly

For fiscal year ending: 12/31/2024

Privately Owned Municipal Solid Waste Landfills

(ATTACH AFFIDAVIT)

Attach owner/operator's affidavit indicating that an annual review has been performed by a certified public accountant to determine whether the privately owned 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"		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
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"	1/1/1996	Closure <input type="checkbox"/> Postclosure <input checked="" type="checkbox"/> Corrective Action <input type="checkbox"/>	\$93,150

*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)"f", 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>	\$ 122,904	\$ 93,150	\$ 0
Trust Fund Balance <i>(see formula below)</i>	\$	\$	\$

Formula for Projected Deposits

Closure or Postclosure Account

$$\frac{CE - CB}{RPC} \times TR$$

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.

Dedicated/Trust Fund

$$\frac{CE - CB}{Y}$$

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

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

Closure	Postclosure Post closure estimate = \$29,000/yr X 3 years left = \$84,000 \$84,000 < \$93,150 therefore no deposit required.
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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.

Name of Official: Bill Skubal Title: Director Electric, Gas & Water Operations

Agency/Entity: Cedar Falls Utilities

Address: 1 Utility Parkway PO Box 769

City: Cedar Falls State: Iowa Zip: 50613

Telephone: 319-268-5384 Fax: _____

Email Address: bill.skubal@cfunet.net

Signature of Official:  Date: 5-15-25

Questions? Contact Mary Klemesrud at (515) 802-8835 or Mary.Klemesrud@dnr.iowa.gov



Cedar Falls Utilities

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

Including Independent Auditors' Reports

**For The Years Ended
December 31, 2024 and 2023**



Cedar Falls Utilities

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

Including Independent Auditors' Reports

For The Years Ended December 31, 2024 and 2023

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Electric Utility of the City of Cedar Falls, Iowa (Municipal Electric Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Electric Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Electric Utility, as of December 31, 2024 and 2023, the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, the Municipal Electric Utility has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Accordingly, a restatement has been made to the Municipal Electric Utility's net position as of January 1, 2023. In accordance with GASB Statement No. 101, the financial statements as of and for the year then ended December 31, 2023 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 Municipal Electric Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025, on our consideration of the Municipal Electric Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Electric Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Electric Utility's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the printed name and date.

Dubuque, IA
April 28, 2025

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

The following financial analysis and condensed statements of the Municipal Electric Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2024 and 2023. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

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

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

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

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

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

The Utility adopted GASB 96 effective January 1, 2023. Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, defines SBITAs and requires recognition of certain right-to-use subscription assets and liabilities that were previously classified as outflows of resources or prepayments. Beginning fiscal year 2022 net position was retroactively restated to include SBITA assets and liabilities.

The Utility adopted GASB 101 effective January 1, 2024. Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Beginning fiscal year 2023 net position was retroactively restated to include sick leave related liabilities. The effect of implementation on net position is detailed in Note 16.

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

Utility Financial Analysis

Condensed Statement of Net Position

	2024	2023 (Restated)	2024 Change	2022 (Not Restated)	2023 Change
Net Capital Assets	\$ 161,695,532	\$ 163,707,863	(2,012,331)	\$ 162,705,259	1,002,604
Noncurrent Assets	8,706,016	9,423,881	(717,865)	9,703,421	(279,540)
Current Assets	85,758,576	71,697,571	14,061,005	66,673,065	5,024,506
Deferred Outflows of Resources	1,129,521	1,574,357	(444,836)	1,088,569	485,788
Total Assets and Deferred Outflows of Resources	\$ 257,289,645	\$ 246,403,672	10,885,973	\$ 240,170,314	6,233,358
Current Liabilities	8,377,083	10,967,818	(2,590,735)	10,852,057	115,761
Noncurrent Liabilities	8,809,905	11,759,959	(2,950,054)	14,693,739	(2,933,780)
Deferred Inflows of Resources	9,158,036	9,539,973	(381,937)	10,224,269	(684,296)
Total Liabilities and Deferred Inflows of Resources	26,345,024	32,267,750	(5,922,726)	35,770,065	(3,502,315)
Net Position					
Net Investment In Capital Assets	158,626,578	156,995,760	1,630,818	152,577,993	4,417,767
Restricted	5,062,899	5,269,330	(206,431)	5,233,159	36,171
Unrestricted	67,255,144	51,870,832	15,384,312	46,589,097	5,281,735
Total Net Position	230,944,621	214,135,922	16,808,699	204,400,249	9,735,673
Total Liabilities, Deferred Inflows and Net Position	\$ 257,289,645	\$ 246,403,672	10,885,973	\$ 240,170,314	6,233,358

2024 compared to 2023, significant changes include:

- ❖ Net Capital Assets: Primarily decreased due to the sale of capital assets to the Communication Utility. See the Utility Capital Assets Activity section of the Management Discussion and Analysis & Note 15 - Special Items.
- ❖ Current Assets: Total cash and investments increased \$12.2 million primarily due to increased revenue from customer base sales and from the sale of capital assets to the Communications Utility.
- ❖ Current Liabilities: Primarily decreased due to a \$1.9 million reduction in the current installments of long-term debt. See Note 6 - Long-Term Liabilities.
- ❖ Noncurrent Liabilities (See Note 6 - Long-Term Liabilities): The decrease is primarily due to a decrease in long-term debt of \$1.7 million as the Utility continues to make its Series 2015 capital loan note payments.

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2023 compared to 2022, significant changes include:

- ❖ Net Capital Assets: Primarily increased due to capital additions. See Note 4 - Capital Assets.
- ❖ Current Assets: Total cash and investments increased \$6.5 million primarily due to increased interest received on cash and investments and increased revenue from customer base sales.
- ❖ Noncurrent Liabilities (See Note 6 - Long-Term Liabilities): The decrease is primarily due to a decrease in long-term debt of \$3.5 million as the Utility continues to make its Series 2015 capital loan note payments.
- ❖ Deferred Inflows of Resources: The decrease is primarily due to
 - A decrease of \$398,000 due to changes related to IPERS net pension liability. See Note 7 - Pension Plan – IPERS.
 - A decrease of \$249,000 due to amounts received for Tax Increment Financing (TIF). See Note 10 – Related Party Transactions.

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Statement of Revenues, Expenses and Changes in Net Position – Cost Recovery Emphasis

	2024	2023 (Restated)	2024 <i>Change</i>	2022 (Not Restated)	2023 <i>Change</i>
Sales of Electricity					
Base Revenue	\$ 33,362,129	\$ 29,289,711	4,072,418	\$ 27,453,300	1,836,411
Cost Recovery Revenue	19,740,704	17,807,485	1,933,219	28,968,960	(11,161,475)
WURSA Giveback	(2,792,654)	(2,698,335)	(94,319)	(5,323,897)	2,625,562
Sales for Resale - ECA Reduction	2,651,666	4,186,463	(1,534,797)	6,669,191	(2,482,728)
Sales for Resale - Western Units	5,707,100	5,636,621	70,479	11,844,565	(6,207,944)
Sales for Resale - Other	433,058	177,172	255,886	-	177,172
Total Sales of Electricity	59,102,003	54,399,117	4,702,886	69,612,119	(15,213,002)
Other	5,757,569	6,650,958	(893,389)	5,946,334	704,624
Total Operating Revenues	64,859,572	61,050,075	3,809,497	75,558,453	(14,508,378)
Fuel & Purchased Power					
Recovered via Cost Recovery	22,308,760	21,933,756	375,004	35,441,962	(13,508,206)
Non-Cost Recovery Expenses	1,235,669	1,560,867	(325,198)	1,681,438	(120,571)
Total Fuel & Purchased Power	23,544,429	23,494,623	49,806	37,123,400	(13,628,777)
Production and Generation - Other, Transmission & Distribution	12,457,356	11,464,832	992,524	11,225,148	239,684
Depreciation & Amortization	7,356,454	8,021,733	(665,279)	8,885,453	(863,720)
Services & Administrative	10,480,767	10,747,578	(266,811)	9,670,271	1,077,307
Total Operating Expenses	53,839,006	53,728,766	110,240	66,904,272	(13,175,506)
Total Non-Operating Revenues (Expenses)	5,242,733	3,326,661	1,916,072	1,323,437	2,003,224
Special Item Revenue (Expense)	545,400	-	545,400	-	-
Change in Net Position	16,808,699	10,647,970	6,160,729	9,977,618	670,352
Net Position, Beginning of Year, as Restated	214,135,922	203,487,952	10,647,970	194,422,631	9,065,321
Net Position, End of Year	\$ 230,944,621	\$ 214,135,922	16,808,699	\$ 204,400,249	9,735,673

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

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

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Comparison of Cost Recovery Revenue and Expenses

	2024	2023	2022
Cost Recovery Expenses			
Purchased Power	\$ 17,904,922	\$ 18,068,911	\$ 29,763,434
Fuel	4,403,838	3,864,845	5,678,528
Sales for Resale - ECA Reduction	(2,651,666)	(4,186,463)	(6,669,191)
Net Costs to Recover	19,657,094	17,747,293	28,772,771
Revenue from Cost Recovery	19,740,704	17,807,485	28,968,960
Variance	\$ 83,610	\$ 60,192	\$ 196,189

2023 saw a significant decrease in the cost of natural gas as well as electricity prices resulting in lower Sales for Resales and corresponding lower givebacks of those revenues (Sales for Resale - ECA Reduction & WURSA Giveback). The following table is a comparison of Sales for Resale from the Western Units and Western Unit Revenue Sharing Adjustment (WURSA Giveback).

Western Unit Revenue Sharing Adjustment (WURSA Giveback)

	2024	2023	2022
Sales for Resale - Western Units	\$ 5,707,100	\$ 5,636,621	\$ 11,844,565
Purchased Power Expense from the Western Units	(1,872)	(378,152)	(658,643)
Sales for Resale For Give Back	5,705,228	5,258,469	11,185,922
Budgeted Giveback %	50%	50%	50%
Calculated Giveback	(2,852,614)	(2,629,235)	(5,592,961)
WURSA Giveback	(2,792,654)	(2,698,335)	(5,323,897)
Variance	\$ (59,960)	\$ 69,100	\$ (269,064)

The Western Units are coal-fired plants (see Note 1). In 2022 when natural gas costs were higher it was more economical for these plants to generate electricity. During the same time, the cost of electricity was higher so there was a corresponding increase the Utility's share of revenue from the Western Units.

2024 compared to 2023, significant changes not related to cost recovery include:

- ❖ Base Revenue: Primarily increased due to higher sales.
- ❖ Production and Generation - Other, Transmission & Distribution: primarily increased due to transmission expenses.
- ❖ Depreciation & Amortization: Primarily decreased due to the sale of capital assets to the Communications Utility. See Note 15 - Special Items.
- ❖ Special Item Revenue (Expense) – Revenue is the result of the sale of capital assets to the Communication Utility. See Note 15 - Special Items.

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2023 compared to 2022, significant changes not related to cost recovery include:

- ❖ Base Revenue: Primarily increased due higher sales.
- ❖ Depreciation & Amortization: In 2023, there was a significant reduction in depreciation expense due to a revaluation of the Landfill Closure liability for the Utility's ownership share of the Walter Scott Energy Center - Unit #3 wet ash landfill. See Note 6 - Long-Term Liabilities - Western Units Asset Retirement Obligation.

Condensed Statement of Cash Flows

	2024	2023	2024 Change	2022	2023 Change
Cash Flows from					
Operating Activities	\$ 16,209,422	\$ 16,063,409	146,013	\$ 15,152,247	911,162
Noncapital Financing Activities	(11,052)	(10,134)	(918)	(492)	(9,642)
Capital and Related Financing Activities	(6,975,237)	(11,775,548)	4,800,311	(10,209,614)	(1,565,934)
Investing Activities	2,870,409	(1,919,683)	4,790,092	(15,362,051)	13,442,368
Net Change in Cash and Cash Equivalents	12,093,542	2,358,044	9,735,498	(10,419,910)	12,777,954
Cash and Cash Equivalents - Beginning of Year	36,882,705	34,524,661	2,358,044	44,944,571	(10,419,910)
Cash and Cash Equivalents - End of Year	\$ 48,976,247	\$ 36,882,705	12,093,542	\$ 34,524,661	2,358,044

2024 compared to 2023, significant changes include:

- ❖ Capital and Related Financing Activities: Primarily changed due to the sale of capital assets to the Communications Utility. See Note 15 - Special Items.
- ❖ Investing Activities: Primarily changed due to the utility investing less funds as compared to 2023 and the net impact changed from an outflow (negative) to an inflow (positive).

2023 compared to 2022, significant changes include:

- ❖ Operating Activities: Cash inflows increased primarily due to higher base revenue.
- ❖ Capital and Related Financing Activities: Cash outflows increased primarily increased due to capital additions. See Note 4 - Capital Assets.
- ❖ Investing Activities: In 2021, due to multiple factors including low interest rates and banks not seeking public funds, the Utility held less in investments and more funds in money markets throughout the year. In 2022 interest rates significantly increased and the Utility returned to investing funds. In 2023 investments were primarily reinvested after they matured. See Note 3 - Cash and Investments.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Utility Capital Assets Activity

At December 31, 2024, the Utility had \$161.7 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Each year the Utility has capital improvement activity related to the generation and transmission of energy such as boiler plant equipment replacements or substation upgrades. Activity related to the distribution of energy such as the installation of distribution lines, services, meters, and transformers. As well as activity related to the daily operations of the Utility such as building improvement and fleet replacements.

A summary of capital assets activity for the year ended December 31, 2024 (rounded) follows:

	Increases	Decreases
Generation	\$ 252,000	\$ (167,000)
Transmission	1,420,000	(51,000)
Distribution	4,229,000	(1,221,000)
General	1,592,000	(5,118,000)
Western Unit Related - Not Yet Classified	1,304,000	-
Right to Use Related	17,000	-
Total capital assets, being depreciated/amortized	\$ 8,814,000	\$ (6,557,000)

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

Utility Debt Activity

At the end of 2024, the Series 2015 Refunding Capital Loan Notes had an outstanding principal balance of \$2.6 million. The outstanding balance at year ending 2023 was \$5.8 million. These notes were an advance refunding of outstanding Series 2005 and Series 2007 Revenue Bonds. This series will mature in 2026.

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

Utility Changes to Future Financial Statements

Effective January 1, 2025, the Board of Trustees approved a 7.0% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$2.0 million.

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

Statements of Net Position

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Assets		
Capital assets:		
Capital assets, in service	\$ 284,797,379	\$ 282,977,465
Less accumulated depreciation & amortization	<u>125,531,262</u>	<u>121,705,356</u>
Net capital assets in service	159,266,117	161,272,109
Construction work in progress	<u>2,429,415</u>	<u>2,435,754</u>
Net capital assets	<u>161,695,532</u>	<u>163,707,863</u>
Noncurrent assets:		
Other	8,524,324	9,269,755
Lease receivable	72,235	44,669
Prepayments and other	<u>109,457</u>	<u>109,457</u>
Total noncurrent assets	<u>8,706,016</u>	<u>9,423,881</u>
Current assets:		
Cash and cash equivalents - unrestricted	46,268,808	33,984,941
Cash and cash equivalents - restricted	2,707,439	2,897,764
Investments - unrestricted	20,500,000	20,410,000
Investments - restricted	2,639,500	2,635,000
Receivables:		
Customer accounts, less allowance for doubtful accounts of \$38,600 in 2024 and \$39,100 in 2023	6,198,893	4,917,491
Trade	908,332	731,441
Lease receivable	45,434	30,984
Interest	630,340	364,781
Inventories:		
Fuel	2,429,167	2,561,101
Material and supplies	2,743,151	2,525,222
Prepayments and other	<u>687,512</u>	<u>638,846</u>
Total current assets	<u>85,758,576</u>	<u>71,697,571</u>
Total assets	256,160,124	244,829,315
Deferred outflows of resources		
Pension related deferred outflows	830,731	1,184,996
OPEB related deferred outflows	224,107	264,889
Unamortized loss on reacquired debt	<u>74,683</u>	<u>124,472</u>
Total deferred outflows of resources	<u>1,129,521</u>	<u>1,574,357</u>
Total assets and deferred outflows of resources	<u>\$ 257,289,645</u>	<u>\$ 246,403,672</u>

See accompanying notes to financial statements.

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

Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,350,225	\$ 3,133,153
Reserve for surplus declaration	1,536,800	2,346,200
Current installments of long-term debt	1,290,000	3,195,000
Accrued wages and compensated absences	1,167,596	1,407,553
Accrued interest	107,554	93,513
Lease and subscription agreements	82,710	123,529
Other accrued expenses	842,198	668,870
Total current liabilities	<u>8,377,083</u>	<u>10,967,818</u>
Noncurrent liabilities:		
Customer advances for construction	369,000	269,200
Long-term debt, less current installments	1,642,613	3,307,022
Lease and subscription agreements	128,314	211,024
Net pension liability	3,311,046	4,011,637
Other liabilities	3,358,932	3,961,076
Total noncurrent liabilities	<u>8,809,905</u>	<u>11,759,959</u>
Total liabilities	<u>17,186,988</u>	<u>22,727,777</u>
Deferred inflows of resources		
Lease related	154,263	102,161
OPEB related	395,232	39,028
Pension related	84,217	129,029
TIF related	8,524,324	9,269,755
Total deferred inflows of resources	<u>9,158,036</u>	<u>9,539,973</u>
Total liabilities and deferred inflows of resources	26,345,024	32,267,750
Net Position		
Net investment in capital assets	158,626,578	156,995,760
Restricted	5,062,899	5,269,330
Unrestricted	67,255,144	51,870,832
Total net position	<u>230,944,621</u>	<u>214,135,922</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 257,289,645</u>	<u>\$ 246,403,672</u>

See accompanying notes to financial statements.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Revenue, Expenses and Changes in Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Operating revenues:		
Sales of electricity:		
Residential	\$ 17,475,739	\$ 17,226,802
Commercial	24,661,500	19,454,885
Industrial	4,409,777	4,247,054
Governmental	3,539,348	3,247,689
Interdepartmental	223,815	222,431
Sales for resale	8,791,824	10,000,256
Total sales of electricity	59,102,003	54,399,117
Other operating revenues	5,757,569	6,650,958
Total operating revenues	<u>64,859,572</u>	<u>61,050,075</u>
Operating expenses:		
Production and generation:		
Purchased power	19,140,591	19,629,778
Fuel	4,403,838	3,864,845
Other	4,693,899	5,055,557
Transmission	5,512,155	4,257,096
Distribution	2,251,302	2,152,179
Administrative and general	8,009,263	8,233,170
Customer service and informational expenses	687,985	770,618
Customer accounts	786,474	767,760
Sales	56,638	62,352
Depreciation and amortization	7,356,454	8,021,733
Taxes other than income taxes	920,794	889,988
Other	19,613	23,690
Total operating expenses	<u>53,839,006</u>	<u>53,728,766</u>
Operating income	<u>11,020,566</u>	<u>7,321,309</u>
Non-operating revenues (expenses):		
AFUDC	115,101	116,703
Contributed capital	1,514,202	593,694
Interest expense on long-term debt	(205,624)	(351,662)
Interest income (expense) on security deposits	(31,749)	(87,561)
Interest income	3,230,468	2,507,989
Miscellaneous revenue, net	620,335	547,498
Total nonoperating revenues (expenses)	<u>5,242,733</u>	<u>3,326,661</u>
Special Item - Intercompany asset sale gain	545,400	-
Change in net position	<u>16,808,699</u>	<u>10,647,970</u>
Net position, beginning of year, as previously reported		204,400,249
Adjustments (Note 16)		<u>(912,297)</u>
Net position, beginning of year, as restated	<u>214,135,922</u>	<u>203,487,952</u>
Net position, end of year	<u>\$ 230,944,621</u>	<u>\$ 214,135,922</u>

See accompanying notes to financial statements.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 63,831,018	\$ 63,659,424
Cash paid to suppliers	(39,874,448)	(40,087,373)
Cash paid to employees	(5,033,091)	(4,589,328)
Payment in lieu of taxes to the City of Cedar Falls	(2,346,200)	(2,543,741)
Property tax paid	<u>(367,857)</u>	<u>(375,573)</u>
Net cash provided by operating activities	<u>16,209,422</u>	<u>16,063,409</u>
Cash flows from noncapital financing activities:		
Interest paid on customer deposits	<u>(11,052)</u>	<u>(10,134)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(3,195,000)	(3,045,000)
Interest paid	(158,625)	(310,875)
Proceeds from customer advances for construction	161,000	154,500
Refunds of customer advances for construction	(61,200)	(35,600)
Acquisition, construction and removal cost of capital assets	(8,719,970)	(9,170,035)
Proceeds from sale of capital assets	3,484,356	37,768
Reimbursement of utility construction costs	<u>1,514,202</u>	<u>593,694</u>
Net cash used in capital and related financing activities	<u>(6,975,237)</u>	<u>(11,775,548)</u>
Cash flows from investing activities:		
Proceeds from maturities of investment securities	23,045,000	22,746,569
Purchase of investment securities	(23,139,500)	(26,684,500)
Interest received	<u>2,964,909</u>	<u>2,018,248</u>
Net cash provided by / (used in) investing activities	<u>2,870,409</u>	<u>(1,919,683)</u>
Net increase in cash and cash equivalents	12,093,542	2,358,044
Cash and cash equivalents, beginning of year	<u>36,882,705</u>	<u>34,524,661</u>
Cash and cash equivalents, end of year	<u>\$ 48,976,247</u>	<u>\$ 36,882,705</u>

See accompanying notes to financial statements.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 11,020,566	\$ 7,321,309
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of capital assets	7,356,454	8,021,733
Other income (expense), net	242,059	186,981
(Increase) decrease in accounts receivable	(1,458,293)	1,877,123
(Increase) decrease in lease receivable	10,086	10,607
(Increase) decrease in inventories	(1,543)	12,185
(Increase) decrease in prepayments and other	(48,666)	(57,267)
Increase (decrease) in accounts payable	385,606	(857,695)
Increase (decrease) in reserve for surplus declaration	(809,400)	(197,541)
Increase (decrease) in accrued wages and vacation	(239,957)	60,110
Increase (decrease) in other accrued expenses	57,155	(70,435)
Increase (decrease) in other liabilities	<u>(304,645)</u>	<u>(243,701)</u>
Net cash provided by operating activities	<u>\$ 16,209,422</u>	<u>\$ 16,063,409</u>
Schedule of noncash investing, capital and financing activities: AFUDC	115,101	116,703
Reconciliation of cash and cash equivalents to statement of net position accounts:		
Cash and cash equivalents - unrestricted	46,268,808	33,984,941
Cash - restricted	<u>2,707,439</u>	<u>2,897,764</u>
Cash and cash equivalents	<u>\$ 48,976,247</u>	<u>\$ 36,882,705</u>

See accompanying notes to financial statements.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

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

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

The Utility's present capacity consists of one wholly owned natural gas and coal-fired plant with two units and three jointly owned coal-fired plants, Walter Scott Energy Center Unit 3, Walter Scott Energy Center Unit 4, and George Neal Generating Station Unit 4 (Western Units) and one gas and coal-fired plant assigned by contract for a combined generating capacity of 111.9 megawatts. The Utility also owns two combustion turbines with a generating capacity of 43.4 megawatts. The Utility also has contractual rights for the purchase of 1.5 megawatts of solar energy. The Utility owns a total of 156.8 megawatts of generating capacity for 2024.

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease and SBITA assets, the measurement of which is discussed under "Leases" and "Subscription-Based Information Technology Arrangements" below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 3.85% in 2024 and 3.81% 2023. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated service lives and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: land improvements 80 years; infrastructure 18 to 80 years; buildings and improvements 60 to 110 years; and equipment 6 to 65 years. The depreciation provisions were equivalent to an overall composite rate of 2.6% of depreciable assets for 2024 and 2.8% for 2023.

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

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

Leases

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

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

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

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Leases, continued

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

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

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

Subscription-Based Information Technology Arrangements (SBITA)

The Utility has entered into contracts that convey the control of right-to-use information technology software. The Utility has recognized IT subscription liabilities and intangible right-to-use IT subscription assets in the Utility's financial statements. The Utility recognizes IT subscription liabilities with an initial, individual value of \$5,000, or more.

At the commencement of the IT subscription term, the Utility initially measures the subscription liability at the value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by payments made. The right-to-use IT subscription asset is initially measured by the sum of the initial IT subscription liability, adjusted for any payments made at or before the commencement date, plus implementation costs less any incentives received from the SBITA vendor at or before commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

Cash and Investments

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

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) on December 31, 2024 and 2023 were \$5,059,572 and \$916,447, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventories

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

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Prepayments

Prepayments represent expenditures for services that have been paid in advance but will be received in the future. The Utility records prepayments for agreements that span one year or more and exceed a minimum dollar threshold. The Utility incurs prepayments for expenditures such as insurance premiums, software subscriptions, and support and maintenance of software and hardware.

Deferred Outflows of Resources

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

Pensions

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

Total OPEB Liability

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

Deferred Inflows of Resources

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

Bond Premiums and Discounts

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

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Net Position

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

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

The Utility’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Restricted for/by		
Bond Ordinance	\$ 3,817,686	\$ 3,965,486
Health and Dental Insurance	1,245,213	1,303,844
Total	<u>\$ 5,062,899</u>	<u>\$ 5,269,330</u>

Operating Revenues and Expenses

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

Revenues from the sale of electricity are based on billing rates, which are applied to customers' consumption of electricity. The Utility records estimated unbilled revenue, including amounts to be billed under a fuel adjustment clause, at the end of accounting periods. Revenues earned, but not yet billed at December 31, 2024 and 2023, were \$2,295,507 and \$2,437,850, respectively, and are recorded in customer accounts receivable. The Utility uses a fuel adjustment clause whereby increases or decreases in fuel costs and purchase power costs are billed to customers and included in operating revenue without changing base rates charged to its customers.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. In 2024 and 2023, there were no budget amendments.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Grants

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

Employee Benefits

Utility employees accumulate earned but unused vacation and sick leave hours for subsequent use. The Utility pays 100% of earned vacation hours at the employee's hourly rate upon termination, retirement, or death. A liability has been established for all earned, but unused vacation hours based on pay rates as of December 31. The Utility does not pay for unused sick leave upon termination, retirement, or death. Liabilities have been established for earned, but unused sick leave hours estimated to be used in subsequent periods based on pay rates as of December 31.

Accrued wages represents time employees worked during the calendar year but are unpaid at December 31.

The Electric Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay only applies to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2024 and 2023, the accrued liability was \$624,384 and \$683,039, respectively.

Customer Advances

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

Reclassifications

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

Implementation of GASB Statement No. 101

As of January 1, 2023, the Utility adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The impact to the Utility resulted in the reporting of sick leave liabilities not previously reported and the effect of the implementation of this standard on the beginning net position is disclosed in Note 16.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(2) Restricted Assets

The composition of restricted assets as of December 31, 2024 and 2023 was as follows:

2024	Cash	Investments	Total
Current Assets - Restricted			
Bond and Interest	\$ 184,749	\$ -	\$ 184,749
Bond Reserve	-	2,639,500	2,639,500
Improvement and Extension	1,000,000	-	1,000,000
Self Insured Dental	34,637	-	34,637
Self Insured Medical	1,394,903	-	1,394,903
Streeter Landfill	93,150	-	93,150
Total Current Assets - Restricted	<u>2,707,439</u>	<u>2,639,500</u>	<u>5,346,939</u>
Total Restricted Assets	<u>\$ 2,707,439</u>	<u>\$ 2,639,500</u>	<u>\$ 5,346,939</u>

2023	Cash	Investments	Total
Current Assets - Restricted			
Bond and Interest	\$ 339,155	\$ -	\$ 339,155
Bond Reserve	4,550	2,635,000	2,639,550
Improvement and Extension	1,000,000	-	1,000,000
Self Insured Dental	30,148	-	30,148
Self Insured Medical	1,401,007	-	1,401,007
Streeter Landfill	122,904	-	122,904
Total Current Assets - Restricted	<u>2,897,764</u>	<u>2,635,000</u>	<u>5,532,764</u>
Total Restricted Assets	<u>\$ 2,897,764</u>	<u>\$ 2,635,000</u>	<u>\$ 5,532,764</u>

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

(3) Cash and Investments

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

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

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

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(3) Cash and Investments, continued

Interest Rate Risk

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

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2024 or 2023. The Utility's investments in Federal Agency Obligations were rated AAA by Standard & Poor's and by Moody's Investors Services. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2024 or 2023.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk regarding investments since all investments were held by the Utility or its agent in the Utility's name.

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(3) Cash and Investments, continued

Reconciliation to Financial Statements

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

	<u>2024</u>	<u>2023</u>
Petty cash	\$ 295	\$ 345
Checking & Sweep	35,908,794	26,512,645
Money markets	6,701,062	8,646,910
Carrying amount of IPAIT	5,059,572	916,447
Other cash equivalents	1,306,524	806,358
Certificates of deposits	23,139,500	16,750,000
Carrying amount of federal agency obligations	-	6,295,000
Total	<u>\$ 72,115,747</u>	<u>\$ 59,927,705</u>
Current Assets		
Cash and cash equivalents - unrestricted	\$ 46,268,808	\$ 33,984,941
Investments - unrestricted	20,500,000	20,410,000
Current assests unrestricted total	<u>66,768,808</u>	<u>54,394,941</u>
Cash and cash equivalents - restricted	2,707,439	2,897,764
Investments - restricted	2,639,500	2,635,000
Current assests restricted total	<u>5,346,939</u>	<u>5,532,764</u>
Total per statement of net position	<u>\$ 72,115,747</u>	<u>\$ 59,927,705</u>

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

	<u>2024</u>	<u>2023</u>
Unrestricted Cash and Investments		
Board Designated		
Generation & Transmission Acquisition	\$ 15,050,489	\$ 14,384,524
Western Units Landfill	531,463	522,642
Payments in Lieu of Taxes	1,536,800	2,346,200
Security Deposits	396,907	374,213
Operating	49,253,149	36,767,362
Total Unrestricted Cash and Investments	<u>\$ 66,768,808</u>	<u>\$ 54,394,941</u>

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(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2024 and 2023 follows:

2024	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,878,044	\$ -	\$ (437,462)	\$ 1,440,582
Construction work in progress	2,435,754	8,353,121	(8,359,460)	2,429,415
Total capital assets, not being depreciated	4,313,798	8,353,121	(8,796,922)	3,869,997
Capital assets, being depreciated/amortized:				
Land Rights	255,094	437,462	-	692,556
Infrastructure	217,509,510	6,649,155	(1,346,928)	222,811,737
Buildings and improvements	42,146,675	351,390	(3,548,581)	38,949,484
Equipment	20,556,591	1,358,915	(1,661,455)	20,254,051
Right-to-use leased assets	51,571	-	-	51,571
Right-to-use subscription assets	579,980	17,418	-	597,398
Total capital assets, being depreciated/amortized	281,099,421	8,814,340	(6,556,964)	283,356,797
Less accumulated depreciation/amortization for:				
Land Rights	(27,043)	(11,813)	-	(38,856)
Infrastructure	(93,776,089)	(5,584,369)	1,482,225	(97,878,233)
Buildings and improvements	(16,101,801)	(745,500)	894,884	(15,952,417)
Equipment	(11,579,804)	(1,384,759)	1,661,455	(11,303,108)
Right-to-use leased assets	(28,878)	(11,013)	-	(39,891)
Right-to-use subscription assets	(191,741)	(127,016)	-	(318,757)
Total accumulated depreciation/amortization	(121,705,356)	(7,864,470)	4,038,564	(125,531,262)
Total capital assets being depreciated/amortized, net	159,394,065	949,870	(2,518,400)	157,825,535
Net capital assets	\$ 163,707,863	\$ 9,302,991	\$ (11,315,322)	\$ 161,695,532

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(4) Capital Assets, continued

2023	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,878,208	\$ -	\$ (164)	\$ 1,878,044
Construction work in progress	2,250,144	9,133,920	(8,948,310)	2,435,754
Total capital assets, not being depreciated	4,128,352	9,133,920	(8,948,474)	4,313,798
Capital assets, being depreciated/amortized:				
Land Rights	255,094	-	-	255,094
Infrastructure	213,853,787	6,212,826	(2,557,103)	217,509,510
Buildings and improvements	41,806,907	699,926	(360,158)	42,146,675
Equipment	21,099,863	2,040,585	(2,583,857)	20,556,591
Right-to-use leased assets	51,571	-	-	51,571
Right-to-use subscription assets	514,958	65,022	-	579,980
Total capital assets, being depreciated/amortized	277,582,180	9,018,359	(5,501,118)	281,099,421
Less accumulated depreciation/amortization for:				
Land Rights	(23,807)	(3,400)	164	(27,043)
Infrastructure	(90,221,436)	(6,219,410)	2,664,757	(93,776,089)
Buildings and improvements	(16,030,641)	(383,727)	312,567	(16,101,801)
Equipment	(12,625,372)	(1,536,159)	2,581,727	(11,579,804)
Right-to-use leased assets	(17,866)	(11,012)	-	(28,878)
Right-to-use subscription assets	(86,151)	(105,590)	-	(191,741)
Total accumulated depreciation/amortization	(119,005,273)	(8,259,298)	5,559,215	(121,705,356)
Total capital assets being depreciated/amortized, net	158,576,907	759,061	58,097	159,394,065
Net capital assets	\$ 162,705,259	\$ 9,892,981	\$ (8,890,377)	\$ 163,707,863

(5) Lease Receivable

The Utility is lessor in two separate lease agreements in which land is leased for the operation of cryptocurrency mining. Neither lease contains renewal options and termination dates range from 2025 – 2027. During the years ended December 31, 2024 and 2023, the Utility recognized revenue related to these agreements totaling \$48,934 and \$36,958, respectively.

The Utility is lessor to one agreement in which land is leased for the placement of a telecommunications tower. This lease contains renewal options that allow, at the lessee's option, to continue leasing the property in 5-year increments until 2030. The Utility believes with reasonable certainty that all renewal options will be exercised by the lessee. Rent payments are received annually and escalate at each renewal based upon changes in CPI. Rent escalation revenue in this lease is excluded in the measurement of the lease receivable and will be recorded as an inflow of resources in the period received. During the years ended December 31, 2024 and 2023, the Utility recognized revenue related to this agreement totaling \$8,464 and \$8,464, respectively.

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(5) Lease Receivable, continued

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

Fiscal Year Ended	Amount
2025	\$ 45,434
2026	45,434
2027	8,934
2028	8,934
2029	8,933
Total	<u>\$ 117,669</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended December 31, 2024 and 2023 is as follows:

2024	Restated, Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital Loan Notes:					
Series 2015	\$ 5,820,000	\$ -	\$ 3,195,000	\$ 2,625,000	\$ 1,290,000
Unamortized premium	689,067	-	378,277	310,790	
Unamortized discount	(7,045)	-	(3,868)	(3,177)	
Long-term debt total	6,502,022	-	3,569,409	2,932,613	1,290,000
Customer advances for construction	269,200	161,000	61,200	369,000	
Landfill closure:					
Streeter post-closure	116,000	-	26,900	89,100	
Western Units Asset Retirement Obligation	522,642	19,614	10,793	531,463	
Net pension liability	4,011,637	744,951	1,445,542	3,311,046	
Accrued severance	683,039	110,318	168,973	624,384	
OPEB	1,041,784	93,771	428,596	706,959	
Lease agreements	22,457	-	11,091	11,366	7,929
Subscription liability	312,096	17,417	129,855	199,658	74,781
Compensated absences *	1,558,502	-	20,238	1,538,264	1,072,618
Other liabilities	1,078,056	32,992	169,668	941,380	
Total	<u>\$ 16,117,435</u>	<u>\$ 1,180,063</u>	<u>\$ 6,042,265</u>	<u>\$ 11,255,233</u>	<u>\$ 2,445,328</u>

* The amounts for Compensated Absences are net of additions and reductions

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(6) Long-Term Liabilities, continued

2023 (Restated)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital Loan Notes:					
Series 2015	\$ 8,865,000	\$ -	\$ 3,045,000	\$ 5,820,000	\$ 3,195,000
Unamortized premium	1,049,584	-	360,517	689,067	
Unamortized discount	(10,731)	-	(3,686)	(7,045)	
Long-term debt total	9,903,853	-	3,401,831	6,502,022	3,195,000
Customer advances for construction	150,300	154,500	35,600	269,200	
Landfill closure:					
Streeter post-closure	137,500	-	21,500	116,000	
Western Units Asset					
Retirement Obligation	813,519	116,532	407,409	522,642	
Net pension liability	3,538,723	1,296,086	823,172	4,011,637	
Accrued severance	677,756	53,842	48,559	683,039	
OPEB	1,006,213	128,573	93,002	1,041,784	
Lease agreements	33,548	-	11,091	22,457	11,091
Subscription liability	364,127	65,023	117,054	312,096	112,438
Compensated absences *	1,559,140	-	638	1,558,502	1,038,947
Other liabilities	1,212,538	24,978	159,460	1,078,056	
Total	\$ 19,397,217	\$ 1,839,534	\$ 5,119,316	\$ 16,117,435	\$ 4,357,476

* The amounts for Compensated Absences are net of additions and reductions

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(6) Long-Term Liabilities, continued

Debt

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

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

Series 2015 Electric		
<u>Refunding Capital Loan Notes</u>		
	December 1	3.00%
	Principal	Interest
Year	Amount	Amount
2025	\$ 1,290,000	\$ 78,750
2026	1,335,000	40,050
	<u>\$ 2,625,000</u>	<u>\$ 118,800</u>

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

All Utility revenues net of specified operating expenses are pledged as security of the above bonds until the bonds are defeased. Principal and interest paid for 2024 and 2023 were \$3,353,625 and \$3,355,875, respectively. Total sales of electricity gross revenues as defined for the same periods were \$59,102,003 and \$54,399,117. Annual principal and interest payments are expected to require 2.32% of gross revenues on average.

Landfill Closure

Iowa Administrative Code requires the Utility to place a final cover on its ash landfill site for its Streeter Station Generating Facility and have in place surveying monuments and an approved groundwater monitoring system. Iowa Administrative Code also requires the Utility to maintain the final cover, monitor ground water, and file reports with the Iowa Department of Natural Resources for ten years following closure of the site. The landfill was closed by December 31, 2017. Landfill post-closure care costs at December 31, 2024 are estimated to be \$89,100. This represents the cumulative estimated amount to perform all post-closure care after 2024. Currently, the Utility has \$93,150 in restricted funds to cover the cost of the post-closure (see note 2). Actual costs may be higher due to inflation, changes in technology, or changes in regulations that occur during the closure and post closure.

In 2008 the Utility created a Landfill Closure liability for its ownership share of Walter Scott Energy Center Unit 3, and George Neal Generating Station Unit 4 generating units. The Walter Scott Energy Center Unit 3 dry ash landfill is expected to be closed December 2029 and its wet ash landfill closed December 2023. The Neal Unit 4 landfill also closed in December 2023. The liability established and funds designated to pay the remaining closing and post closure costs total \$531,463 (see note 3).

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(6) Long-Term Liabilities, continued

Landfill Closure, continued

Western Units Asset Retirement Obligation (ARO) and the Utility's minority share as of the years ended December 31, 2024 and 2023 are as follows:

	Walter Scott Energy Center - Unit 3		Walter Scott Energy Center - Unit 3		George Neal Generating Station - Unit 4	
2024	Dry Landfill		Wet Landfill		Dry Landfill	
Total Asset Retirement Obligation	\$	15,016,923	\$	-	\$	2,637,520
Utility's ownership percentage		3.10%		3.10%		2.50%
Utility's share of total ARO	\$	465,525	\$	-	\$	65,938
2023						
Total Asset Retirement Obligation	\$	14,807,539	\$	-	\$	2,544,338
Utility's ownership percentage		3.10%		3.10%		2.50%
Utility's share of total ARO	\$	459,034	\$	-	\$	63,608

Other Liabilities

In 2016 the Utility created the Simple Solar program: a community solar project, or a large collection of solar panels built and maintained by the Utility. The program allows for Utility customers to purchase solar units and receive bill credits based on the output of the panels in the future. The program is scheduled to end in May 2036. Customers who move or determine they no longer wish to participate in the program can get a refund on their purchase. The per unit refund a customer can receive decreases annually and a liability has been established for potential refunds. For 2024 and 2023 the noncurrent portion of this liability was \$941,380 and \$1,078,056, respectively.

Lease Agreements

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

Fiscal Year Ended	Amount
2025	\$ 7,929
2026	3,438
Total	\$ 11,366

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(6) Long-Term Liabilities, continued

IT Subscription Liability

The Utility has entered into subscription information technology arrangements for the right-to-use IT software, alone or in conjunction with a tangible capital asset. An IT subscription liability is established at the commencement of the arrangement and is initially measured at the value of the payments expected to be made during the term of the arrangement. Total future minimum IT subscription payments to be paid under IT subscription arrangements are as follows:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2025	\$ 74,781
2026	62,439
2027	62,439
Total	<u>\$ 199,658</u>

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Electric Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.com.

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

Plan Benefits

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

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

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

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

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(7) Pension Plan – IPERS, continued

Disability and Death Benefits

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

Contributions

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

In fiscal year 2024 and 2023 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2024 and 2023 were \$804,239 and \$766,958, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024 and 2023, the Utility reported a liability of \$3,311,046 and \$4,011,637, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all Regular Membership IPERS participating employers. On June 30, 2024, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.090925 percent, which was an increase of 0.002048 percent from its proportion measured as of June 30, 2023 of 0.088878 percent.

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(7) Pension Plan – IPERS, continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

For the years ended December 31, 2024 and 2023, the Utility recognized pension expense of \$413,101 and \$304,170, respectively. At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 263,463	\$ 2,057	\$ 339,390	\$ 16,489
Changes of assumptions	-	46	-	63
Net difference between projected and actual earnings on pension plan investments	41,411	-	371,526	-
Changes in proportion and differences between Utility's contributions and proportionate share of contributions	122,846	82,114	81,908	112,477
Utility's contributions subsequent to the measurement date	403,011	-	392,172	-
Total	<u>\$ 830,731</u>	<u>\$ 84,217</u>	<u>\$ 1,184,996</u>	<u>\$ 129,029</u>

Subsequent to the measurement date \$403,011 was reported as deferred outflows of resources related to pensions resulting from the Utility's contributions and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2024	2023
December 31, 2025	\$ (413,870)	\$ (294,223)
December 31, 2026	807,036	889,031
December 31, 2027	35,945	141,399
December 31, 2028	(92,822)	16,945
December 31, 2029	7,214	na

There were no non-employer contributing entities at IPERS.

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

Notes to Financial Statements
December 31, 2024 and 2023

(7) Pension Plan – IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the PubG-2010 Mortality Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Report 2024 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	3.52%
International Equity	13.0%	5.18%
Global smart beta equity	5.0%	4.12%
Core-plus Fixed Income	25.5%	3.04%
Public Credit	3.0%	4.53%
Cash	1.0%	1.69%
Private Equity	17.0%	8.89%
Private Real Assets	9.0%	4.25%
Private Credit	5.5%	6.62%
Total	100%	

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(7) Pension Plan – IPERS, continued

Discount Rate

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

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-24	\$ 8,125,248	\$ 3,311,046	\$ (720,335)
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-23	\$ 8,529,636	\$ 4,011,637	\$ 225,481

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At December 31, 2024 and 2023, the Utility reported a payable of \$101,518 and \$95,847, respectively, to the defined benefit pension plan for legally required employer contributions and a payable of \$62,143 and \$40,413, respectively for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

(8) Income Tax Status

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

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Notes to Financial Statements
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(9) Jointly Owned Capital Assets

The Utility's share of jointly owned electric facilities at December 31, 2024 and 2023 is reflected in the following table. These facilities provide approximately 33.7% of the Utility's total generating capacity. The Utility is required to provide financing for its share of the facilities. The Utility's share of expenses associated with these facilities is included with the appropriate operating expenses in the statements of revenues, expenses, and changes in net position.

Facility	Net Capital Assets			
	Percentage Ownership	Capacity MW	2024	2023
Walter Scott Energy Center Unit 3	3.10%	21	\$ 13,790,922	\$ 13,666,845
Walter Scott Energy Center Unit 4	2.14%	16.9	19,949,059	20,651,625
George Neal Generating Station Unit 4	2.50%	15	12,355,471	12,743,128

(10) Related Party Transactions

The Utility provides electric service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$596,180 and \$587,509 in 2024 and 2023, respectively. Contributions to capital projects were \$24,192 and \$58,527 in 2024 and 2023, respectively. The Utility also reimburses the City for some infrastructure project or construction costs. In 2024 and 2023, these costs were \$89,973 and \$244,390, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2024 to reimburse the Electric Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This Other Receivable, with an outstanding balance of \$8,524,324 and \$9,269,755 as of December 31, 2024 and 2023, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources at December 31, 2024 and 2023 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$745,431 and \$248,556 in 2024 and 2023, respectively and is part of contributed capital on the statements of revenues, expenses, and changes in net position.

The Utility makes payments in lieu of taxes upon approval by the Board of Trustees to the City of Cedar Falls, Iowa. Expenses for 2024 and 2023 were \$1,536,800 and \$2,346,200, respectively, which were recorded in administrative and general expenses. Subsequent to December 31, 2024, the Utility's Board of Trustees approved the payment of \$1,536,800 related to payments in lieu of taxes for 2024 at their April 2025 Board of Trustees meeting.

(11) Risk Management

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

The Utilities maintain a risk management account for risks related to their self-insured medical plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2024 plan year for aggregate medical claims exceeding \$3.4 million.

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(11) Risk Management, continued

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual payment of claims incurred prior to year-end. The IBNR estimate is based on the Utilities claims payment history. The Electric Utility has a balance of \$108,200 and \$58,300 included in accounts payable for its share of the IBNR claims at December 31, 2024 and 2023, respectively.

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 525 governmental entities participate in the Association as of June 30, 2024. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

The following table sets forth summarized financial data of the Association as of and for its year ended June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents and investments	\$ 112,145,244	\$ 106,486,867
Receivables	2,236,160	2,234,566
Other assets	5,060,805	4,268,864
Total assets	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total liabilities	 \$ 38,475,506	 \$ 40,400,076
Total net position	<u>80,966,703</u>	<u>72,590,221</u>
Total liabilities and net position	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total revenues	 \$ 25,882,509	 \$ 22,820,591
Total expenses	<u>17,506,027</u>	<u>19,426,051</u>
Net increase in net position	<u>\$ 8,376,482</u>	<u>\$ 3,394,540</u>

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

(12) Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must meet all the following criteria:

- Be at least 55 by your retirement date.
- Apply for a bona fide retirement and begin to receive IPERS benefits following termination of employment; or is eligible to begin receiving an IPERS monthly pension benefit.
- Be currently enrolled in CFU's insurance plan at the time of election.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(12) Other Post-Employment Benefits (OPEB), continued

Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

At November 1, 2023, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	80
Active members	<u>189</u>
	<u>269</u>

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,198,233 and \$1,827,687 was measured as of December 31, 2024 and December 31, 2023, respectively, and was determined by an actuarial valuation as of January 1, 2024 and January 1, 2022, respectively.

At December 31, 2024 and 2023, the Utility reported a liability of \$706,959 and \$1,041,784, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2024)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2024)	4.00%	per annum.
Discount rate		
(effective January 1, 2024)	3.26%	per annum.
Healthcare cost trend rate		
(effective January 1, 2024)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

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

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(12) Other Post-Employment Benefits (OPEB), continued

Changes in the Utility's Total OPEB Liability

	2024	2023
	Total OPEB	Total OPEB
	Liability	Liability
Utility's share of total OPEB liability beginning of year	\$ 1,041,784	\$ 1,006,213
Changes for the year:		
Changes in Utility's proportion	36,552	-
Service cost	34,452	60,745
Interest	22,767	21,497
Changes of benefit terms	-	-
Difference between expected and actual experiences	(292,076)	46,331
Changes in assumptions	(108,015)	-
Benefit payments	(28,505)	(93,002)
Net changes	<u>(334,825)</u>	<u>35,571</u>
Utility's share of total OPEB liability end of year	<u>\$ 706,959</u>	<u>\$ 1,041,784</u>

Changes of assumptions reflect a change in the discount rate from 2.06% in fiscal year 2022 to 3.26% in fiscal year 2024.

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

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.26%) or 1% higher (4.26%) than the current discount rate.

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Utility's share of total OPEB liability at December 31, 2024	\$ 777,289	\$ 706,959	\$ 645,840

	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Utility's share of total OPEB liability at December 31, 2023	\$ 1,144,083	\$ 1,041,784	\$ 952,334

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

Notes to Financial Statements
December 31, 2024 and 2023

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

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

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

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Utility's share of total OPEB liability at December 31, 2024	\$ 653,873	\$ 706,959	\$ 770,313
Utility's share of total OPEB liability at December 31, 2023	\$ 953,006	\$ 1,041,784	\$ 1,148,495

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

At December 31, 2024 and 2023, the Utility recognized OPEB expense of \$90,666 and \$124,436, respectively.

At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 123,634	\$ 297,704	\$ 147,847	\$ 39,028
Changes in assumptions	100,473	97,528	117,042	-
	<u>\$ 224,107</u>	<u>\$ 395,232</u>	<u>\$ 264,889</u>	<u>\$ 39,028</u>

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

Year-ending December 31,	2024 Amount	2023 Amount
2024	N/A	\$ 42,194
2025	\$ 4,825	42,194
2026	4,825	42,194
2027	4,825	42,194
2028	(24,842)	13,534
2029	(21,479)	16,783
Thereafter	(139,279)	26,768
	<u>\$ (171,125)</u>	<u>\$ 225,861</u>

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(13) Commitments and Contingencies

The Utility has joint ownership interest in Walter Scott Energy Center Units 3 and 4, and the George Neal Generating Station Unit 4 (see note 9). Coal procurements are made by the agent for the joint owners on a system portfolio basis, which are a mix of 1, 2, and 3-year purchases to minimize risk. The Utility is obligated to purchase at least the annual amount of coal to operate the Utility's share at minimum load. The Utility's share of coal purchases for the years 2024 and 2023 were \$2,897,116 and \$3,372,439, respectively.

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

As of December 31, 2024, the Utility participated in several construction projects scheduled to be completed by 2028 with an estimated cost to complete of \$6,283,000.

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

(14) Subsequent Events

Subsequent events for the Utility have been evaluated through April 28, 2025, which is the date that the financial statements were available to be issued.

Effective January 1, 2025, the Board of Trustees approved a 7.0% base rate increase.

(15) Special Items

During 2024 the Utility entered into an agreement to sell capital assets to affiliated Utilities. Historically, structural (building) related assets that are used by multiple entities were either owned by the Electric Utility or by the Electric, Gas, and Water Utilities, depending on the type of structure. Rent was charged to the Communications Utility, dependent on ownership percentages and building usage. The sale of capital assets reallocates the ownership percentages for each Utility and eliminates future rent income.

This transaction was valued at fair value and resulted in a gain of \$545,400 over the net book value of assets sold. The Utility received \$3,198,818 as a result of the transaction.

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(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, was implemented during 2024. The standard requires recognition of certain compensation absence related liabilities that were previously unrecognized. It requires that a liability be recognized for unused leave that (a) is attributed to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As a result of adopting GASB Statement No. 101, *Compensated Absences*, in fiscal year 2024, the beginning net position was restated to retroactively report the change in value of liabilities as follows:

Net position December 31, 2022, as previously reported	\$	204,400,249
Add short term sick leave liability under		
GASB No. 101 at December 31, 2022	\$	(365,956)
Add long term sick leave liability under		
GASB No. 101 at December 31, 2022	\$	<u>(546,341)</u>
Net position January 1, 2023, as restated	\$	<u><u>203,487,952</u></u>

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
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Schedule of Utilities Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Utility's proportion of the net pension liability (asset)	0.090925%	0.088878%	0.093663%	-0.036553%	0.086614%
Utility's proportionate share of the net pension liability	\$ 3,311,046	\$ 4,011,637	\$ 3,538,723	\$ 126,192	\$ 6,084,396
Utility's Covered payroll	\$ 8,404,662	\$ 7,786,828	\$ 7,539,909	\$ 7,305,702	\$ 6,871,085
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	39.40%	51.52%	46.93%	1.73%	88.55%
Plan fiduciary net position as a percentage of the total pension liability	92.30%	90.13%	91.40%	100.81%	82.90%
	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability (asset)	0.088879%	0.088439%	0.092572%	0.097166%	0.100286%
Utility's proportionate share of the net pension liability	\$ 5,146,692	\$ 5,596,666	\$ 6,166,474	\$ 6,114,982	\$ 4,954,618
Utility's Covered payroll	\$ 6,764,038	\$ 6,649,690	\$ 6,910,069	\$ 6,973,013	\$ 6,870,511
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.16%	89.24%	87.69%	72.11%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

* The amounts presented for each fiscal year were determined as of June 30

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 804,239	\$ 766,958	\$ 720,863	\$ 699,784	\$ 668,482
Contributions in relation to the statutorily required contribution	<u>(804,239)</u>	<u>(766,958)</u>	<u>(720,863)</u>	<u>(699,784)</u>	<u>(668,482)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 8,519,477	\$ 8,124,560	\$ 7,636,256	\$ 7,412,961	\$ 7,081,377
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 643,558	\$ 611,302	\$ 606,977	\$ 608,381	\$ 600,278
Contributions in relation to the statutorily required contribution	<u>(643,558)</u>	<u>(611,302)</u>	<u>(606,977)</u>	<u>(608,381)</u>	<u>(600,278)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 6,817,357	\$ 6,654,200	\$ 6,797,057	\$ 6,812,773	\$ 6,722,036
Contributions as a percentage of covered payroll	9.44%	9.19%	8.93%	8.93%	8.93%

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December 31, 2024 and 2023

Notes to Required Supplemental Information
Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

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

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

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

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

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

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

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December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Changes in Utility's proportion	\$ 36,552	\$ -	\$ (65,399)	\$ -	\$ -
Service cost	34,452	60,745	58,409	48,701	47,622
Interest	22,767	21,497	20,815	27,261	27,690
Changes of benefit terms	-	-	10,347	-	-
Difference between expected and actual experiences	(292,076)	46,331	(22,940)	36,719	(7,522)
Changes in assumptions	(108,015)	-	63,367	-	58,184
Benefit payments	(28,505)	(93,002)	(77,800)	(106,110)	(56,803)
Net change in Utility's share of total OPEB liability	(334,825)	35,571	(13,201)	6,571	69,171
Utility's share of total OPEB liability beginning of year	1,041,784	1,006,213	1,019,414	1,012,843	943,672
Utility's share of total OPEB liability end of year	\$ 706,959	\$ 1,041,784	\$ 1,006,213	\$ 1,019,414	\$ 1,012,843
Covered-employee payroll	\$ 7,952,320	\$ 7,437,911	\$ 7,127,407	\$ 6,804,794	\$ 6,460,505
Utility's share of total OPEB liability as a percentage of covered-employee payroll	8.89%	14.01%	14.12%	14.98%	15.68%

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

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

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

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2024	2023	2022	2021	2020
Discount Rate Used	3.26%	2.06%	2.06%	2.74%	2.74%

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December 31, 2024 and 2023

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

	2019	2018
Changes in Utility's proportion	\$ -	\$ -
Service cost	38,663	37,797
Interest	31,876	32,037
Changes of benefit terms	-	-
Difference between expected and actual experiences	(39,429)	218,624
Changes in assumptions	-	88,114
Benefit payments	(20,801)	(90,870)
Net change in Utility's share of total OPEB liability	10,309	285,702
Utility's share of total OPEB liability beginning of year	933,363	647,661
Utility's share of total OPEB liability end of year	\$ 943,672	\$ 933,363
Covered-employee payroll	\$ 6,326,484	\$ 6,138,299
Utility's share of total OPEB liability as a percentage of covered-employee payroll	14.92%	15.21%

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2019	2018
Discount Rate Used	3.44%	3.44%



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Municipal Electric Utility of the City of Cedar Falls, Iowa (Municipal Electric Utility), as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Electric Utility's basic financial statements and have issued our report thereon dated April 28, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 were not identified.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Municipal Electric Utility's operations for the year ended December 31, 2024, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Electric Utility and are reported in Part III of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
April 28, 2025

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 2024.

Part III: Other Findings Related to Required Statutory Reporting:

- 2024-IA-A **Certified Budget** – Disbursements during the year ended December 31, 2024, did not exceed the amount budgeted.
- 2024-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.
- 2024-IA-C **Travel Expense** – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
- 2024-IA-D **Business Transactions** – No business transactions between the Utility and Utility officials or employees were noted.
- 2024-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.
- 2024-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2024-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.
- 2024-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
- 2024-IA-I **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2024-IA-J **Restricted Donor Activity** – No transactions were noted between the Utility and Utility Officials, Utility employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.



Cedar Falls Utilities

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

Including Independent Auditors' Reports

For The Years Ended December 31, 2024 and 2023

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Gas Utility of the City of Cedar Falls, Iowa (Municipal Gas Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Gas Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Gas Utility, as of December 31, 2024 and 2023, the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Notes 1 and 14 to the financial statements, the Municipal Gas Utility has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Accordingly, a restatement has been made to the Municipal Gas Utility's net position as of January 1, 2023. In accordance with GASB Statement No. 101, the financial statements as of and for the year then ended December 31, 2023, 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 Municipal Gas Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025, on our consideration of the Municipal Gas Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Gas Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Gas Utility's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, IA
April 28, 2025

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

The following financial analysis and condensed statements of the Municipal Gas Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2024 and 2023. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

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

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

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

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

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

The Utility adopted GASB 96 effective January 1, 2023. Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), defines SBITAs and requires recognition of certain right-to-use subscription assets and liabilities that were previously classified as outflows of resources or prepayments. Beginning fiscal year 2022 net position was retroactively restated to include SBITA assets and liabilities.

The Utility adopted GASB 101 effective January 1, 2024. Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Beginning fiscal year 2023 net position was retroactively restated to include sick leave related liabilities. The effect of implementation on net position is detailed in Note 14.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

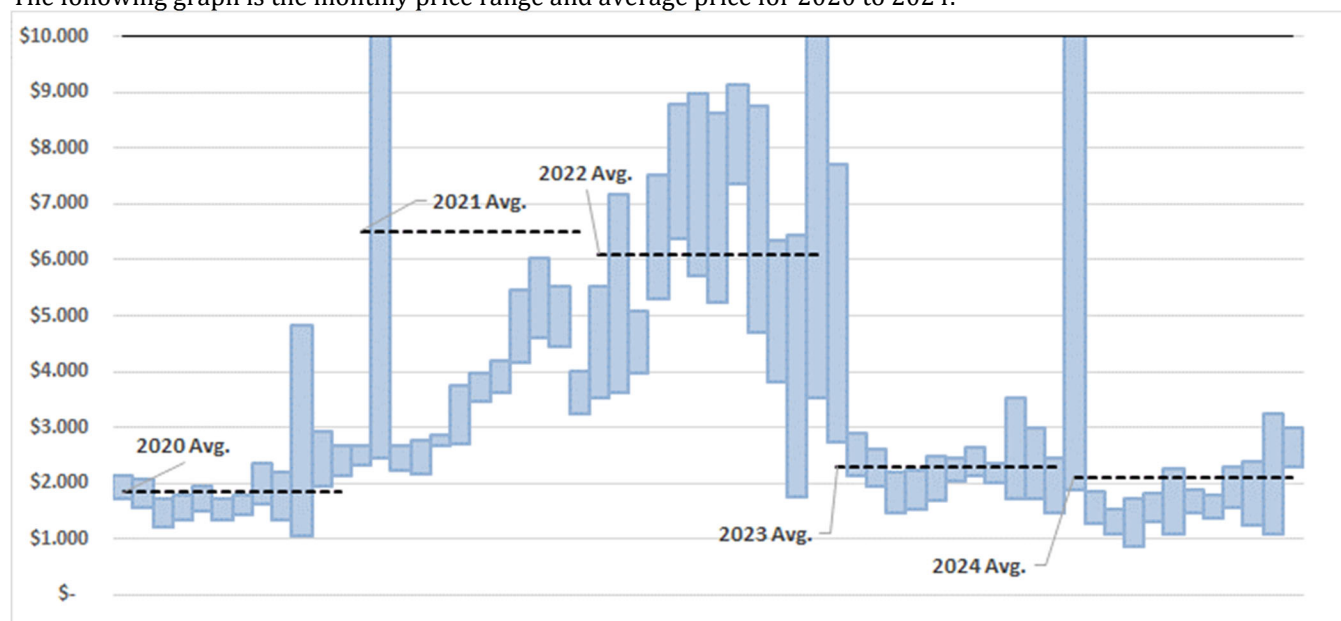
Natural Gas Costs and Related Pipeline Fees

The cost the Utility pays for natural gas and related pipeline fees are listed as Natural Gas Purchased for Resale on the Statements of Revenue, Expenses and Changes in Net Position. These costs are passed on to customers through the Purchased Gas Adjustment (PGA) without markup. As the cost of natural gas and related pipeline fees are directly passed on to customers there is a corresponding change in operating revenue each year for these expenses.

Changes in Natural Gas Purchased for Resale expenses can also have a significant impact on the Statements of Net Position. Cash and receivables from customers and accounts payable may have large year to year changes that can be attributed to changes in Natural Gas Purchased for Resale expenses.

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

The following graph is the monthly price range and average price for 2020 to 2024.



Average market price the Utility paid for natural gas:

Year	Average	Change
2020	\$ 1.846	---
2021	\$ 6.510	\$ 4.663
2022	\$ 6.106	\$ (0.404)
2023	\$ 2.297	\$ (3.809)
2024	\$ 2.116	\$ (0.181)

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

Year	Count
2020	0
2021	7
2022	2
2023	0
2024	4

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Utility Financial Analysis

Condensed Statement of Net Position

	2024	2023 (Restated)	2024 Change	2022 (Not Restated)	2023 Change
Net Capital Assets	\$ 14,968,773	\$ 16,038,881	(1,070,108)	\$ 15,647,852	391,029
Noncurrent Assets	1,059,477	1,046,977	12,500	1,093,584	(46,607)
Current Assets	20,558,200	17,627,654	2,930,546	19,306,405	(1,678,751)
Deferred Outflows of Resources	307,479	439,696	(132,217)	279,393	160,303
Total Assets and Deferred Outflows of Resources	\$ 36,893,929	\$ 35,153,208	1,740,721	\$ 36,327,234	(1,174,026)
Current Liabilities					
Related To					
Natural Gas	1,785,503	1,298,246	487,257	3,426,774	(2,128,528)
Other Current Liabilities	1,101,031	1,279,150	(178,119)	1,242,747	36,403
Noncurrent Liabilities	1,670,817	2,018,001	(347,184)	1,749,989	268,012
Deferred Inflows of Resources	285,273	183,088	102,185	322,851	(139,763)
Total Liabilities and Deferred Inflows of Resources	4,842,624	4,778,485	64,139	6,742,361	(1,963,876)
Net Position					
Net Investment In Capital Assets	14,921,368	15,954,682	(1,033,314)	15,538,740	415,942
Restricted	432,323	462,169	(29,846)	504,672	(42,503)
Unrestricted	16,697,614	13,957,872	2,739,742	13,541,461	416,411
Total Net Position	32,051,305	30,374,723	1,676,582	29,584,873	789,850
Total Liabilities, Deferred Inflows and Net Position	\$ 36,893,929	\$ 35,153,208	1,740,721	\$ 36,327,234	(1,174,026)

Note: Current liabilities related to natural gas are payables for natural gas costs and related pipeline fees. See the Natural Gas Costs and Related Pipeline Fees section of the Management's Discussion and Analysis for more information about natural gas costs.

Significant changes not related to the recovery of natural gas costs include:

2024 compared to 2023:

- ❖ Net Capital Assets: Primarily decreased due to the sale of capital assets to the Communications Utility. See Note 13 - Special Items.
- ❖ Current Assets: See Breakout of Current Assets below.

2023 compared to 2022:

- ❖ Net Capital Assets: Primarily increased due to capital additions from projects. See Note 4 - Capital Assets.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Breakout of Current Assets

	2024	2023	Change	2022	Change
Cash and Investments	\$ 16,934,072	\$ 15,499,280	1,434,792	\$ 13,150,871	2,348,409
Receivables From Customer	2,861,152	1,456,404	1,404,748	5,182,201	(3,725,797)
Other	762,976	671,970	91,006	973,333	(301,363)
Current Assets	<u>\$ 20,558,200</u>	<u>\$ 17,627,654</u>	<u>2,930,546</u>	<u>\$ 19,306,405</u>	<u>(1,678,751)</u>

Breakout of Receivables From Customer

	2024	2023	Change	2022	Change
Base Revenue	\$ 518,742	\$ 434,046	84,696	\$ 459,575	(25,529)
Cost Recovery	1,118,349	(6,817)	1,125,166	2,542,954	(2,549,771)
Other*	1,224,061	1,029,175	194,886	2,179,672	(1,150,497)
Receivables From Customer	<u>\$ 2,861,152</u>	<u>\$ 1,456,404</u>	<u>1,404,748</u>	<u>\$ 5,182,201</u>	<u>(3,725,797)</u>

Note: Other -- A portion of these receivables are related to cost recovery revenue but cannot be directly attributed.

Breakout Cost Recovery

	2024	2023	Change	2022	Change
Accrual of Sales Not Yet Billed	\$ 1,183,227	\$ 826,379	356,848	\$ 1,827,742	(1,001,363)
(Over) Under Recovery of Costs	(64,878)	(833,196)	768,318	715,212	(1,548,408)
Cost Recovery	<u>\$ 1,118,349</u>	<u>\$ (6,817)</u>	<u>1,125,166</u>	<u>\$ 2,542,954</u>	<u>(2,549,771)</u>

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Condensed Revenues, Expenses and Changes in Net Position

	2024	2023 (Restated)	2024 Change	2022 (Not Restated)	2023 Change
Sales of Gas					
Cost Recovery Revenue	\$ 10,202,630	\$ 11,686,187	(1,483,557)	\$ 16,914,425	(5,228,238)
Other Revenue	6,118,670	6,077,993	40,677	5,804,340	273,653
Other	15,682	53,925	(38,243)	70,459	(16,534)
Total Operating Revenues	16,336,982	17,818,105	(1,481,123)	22,789,224	(4,971,119)
Natural Gas Purchased	10,199,716	11,691,628	(1,491,912)	16,966,996	(5,275,368)
Operation & Maintenance	1,750,230	1,503,790	246,440	1,526,300	(22,510)
Depreciation & Amortization	676,863	939,868	(263,005)	934,153	5,715
Services & Administrative	3,216,504	3,299,592	(83,088)	3,060,882	238,710
Total Operating Expenses	15,843,313	17,434,878	(1,591,565)	22,488,331	(5,053,453)
Total Non-Operating Revenues (Expenses)	871,339	744,434	126,905	153,405	591,029
Special Item Revenue (Expense)	311,574	0	311,574	0	-
Change in Net Position	1,676,582	1,127,661	548,921	454,298	673,363
Net Position, Beginning of Year, as Restated	30,374,723	29,247,062	1,127,661	29,130,575	116,487
Net Position, End of Year	\$ 32,051,305	\$ 30,374,723	1,676,582	\$ 29,584,873	789,850

As explained in the Natural Gas Costs and Related Pipeline Fees section of the Management's Discussion and Analysis, the costs the Utility pays for natural gas and related pipeline fees are passed on to customers without markup through the Purchased Gas Adjustment (PGA) and this results in a corresponding increase in operating revenue for these expenses.

	2024	2023	2022
Cost Recovery Revenue	\$ 10,202,630	\$ 11,686,187	\$ 16,914,425
Natural Gas Purchased Expense	10,199,716	11,691,628	16,966,996
Variance	\$ 2,914	\$ (5,441)	\$ (52,571)

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Significant changes not related to natural gas costs, or the recovery of natural gas costs include:

2024 compared to 2023:

- ❖ Depreciation & Amortization – Primarily changed due to the sale of capital assets to the Communication Utility. See Note 13 - Special Items.
- ❖ Special Item Revenue (Expense) – Revenue is the result of the sale of capital assets to the Communication Utility. See Note 13 - Special Items.

2023 compared to 2022:

- ❖ Total Non-Operating Revenues (Expenses) – Interest Income was significantly up in 2023 as yield on investments and funds held in money markets were significantly up.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Condensed Statement of Cash Flows

	2024	2023	2024 Change	2022	2023 Change
Cash Flows from					
Operating Activities	\$ (62,865)	\$ 3,021,959	(3,084,824)	\$ 5,492,310	(2,470,351)
Capital & Related Financing Activities	758,442	(1,218,123)	1,976,565	(1,009,632)	(208,491)
Investing Activities	(60,785)	439,618	(500,403)	(4,320,850)	4,760,468
Net Change in Cash & Cash Equivalents	634,792	2,243,454	(1,608,662)	161,828	2,081,626
Cash & Cash Equivalents - Beginning of Year	10,899,280	8,655,826	2,243,454	8,493,998	161,828
Cash & Cash Equivalents - End of Year	\$ 11,534,072	\$ 10,899,280	634,792	\$ 8,655,826	2,243,454

2024 compared to 2023, significant changes include:

- ❖ Cashflows from operating activities: The change is primarily related to the collection of natural gas costs. Customer billings are staggered and the collection of cash from customers can take months after the revenue is recognized. Some of the cash collected in 2023 was for 2022 billings. See the Natural Gas Costs and Related Pipeline Fees section of the Management's Discussion and Analysis.
- ❖ Cashflows from capital & related financing activities: Primarily changed due to the sale of capital assets to the Communications Utility. See Note 13 - Special Items.
- ❖ Cashflows from investing activities: Primarily changed due to the utility investing more funds than were received from investment maturities.

2023 compared to 2022, significant changes include:

- ❖ Cashflows from operating activities: The decrease was primarily due to changes related to natural gas costs. See the Natural Gas Costs and Related Pipeline Fees section of the Management's Discussion and Analysis.
- ❖ Cashflows from investing activities: In 2022 the Utility was able to invest funds that had been used to ensure sufficient operating funds were available while recovering February 2021's natural gas costs. See the Natural Gas Costs and Related Pipeline Fees section of the Management's Discussion and Analysis. In 2023 investment were reinvested after they matured and the majority of cash from investing activities can be attributed to interest received.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Utility Capital Assets Activity

At December 31, 2024, the Utility had \$15.0 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Each year the Utility has capital improvement activity related to the distribution of natural gas such as included installation of mains, services, meters, and regulators. As well as activity related to the daily operations of the Utility such as tool and equipment replacements.

A summary of capital assets activity for the years ended December 31, 2024 (rounded) follows:

	Increases	Decreases
Mains	\$ 263,000	\$ (21,000)
Meters & Regulators	197,000	(85,000)
Services	13,000	(21,000)
General	153,000	(1,726,000)
Other	211,000	-
Right to Use Related	3,000	-
Total capital assets, being depreciated/amortized	\$ 840,000	\$ (1,853,000)

See Note 13 - Special Items, regarding the sale of capital assets to the Communication Utility.

Utility Debt Activity

There are no debt holdings for 2024 and 2023.

Utility Changes to Future Financial Statements

Effective January 1, 2025, the Board of Trustees approved a 7.0% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$458,000.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Assets		
Capital assets:		
Capital assets, in service	\$ 32,177,099	\$ 33,189,879
Less accumulated depreciation & amortization	<u>17,264,673</u>	<u>17,196,386</u>
Net capital assets in service	14,912,426	15,993,493
Construction work in progress	<u>56,347</u>	<u>45,388</u>
Net capital assets	<u>14,968,773</u>	<u>16,038,881</u>
Noncurrent assets:		
Other	<u>1,059,477</u>	<u>1,046,977</u>
Total noncurrent assets	<u>1,059,477</u>	<u>1,046,977</u>
Current assets:		
Cash and cash equivalents - unrestricted	11,041,737	10,395,500
Cash and cash equivalents - restricted	492,335	503,780
Investments - unrestricted	5,400,000	4,600,000
Receivables:		
Customer accounts, less allowance for doubtful accounts of \$37,900 in 2024 and \$37,800 in 2023	2,861,152	1,456,404
Interest	136,249	86,431
Trade	41,106	36,019
Other	101,863	140,219
Inventories:		
Material and supplies	318,915	241,664
Prepayments and other	<u>164,843</u>	<u>167,637</u>
Total current assets	<u>20,558,200</u>	<u>17,627,654</u>
Total assets	36,586,450	34,713,512
Deferred outflows of resources		
Pension related deferred outflows	269,497	388,530
OPEB related deferred outflows	<u>37,982</u>	<u>51,166</u>
Total deferred outflows of resources	<u>307,479</u>	<u>439,696</u>
Total assets and deferred outflows of resources	<u>\$ 36,893,929</u>	<u>\$ 35,153,208</u>

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,996,439	\$ 1,514,330
Accrued wages and compensated absences	417,361	432,675
Reserve for surplus declaration	436,300	513,200
Lease and subscription agreements	18,237	36,793
Other accrued expenses	18,197	80,398
Total current liabilities	<u>2,886,534</u>	<u>2,577,396</u>
Noncurrent liabilities:		
Customer advances for construction	151,914	131,734
Lease and subscription agreements	29,169	47,406
Net pension liability	1,064,759	1,322,872
Other liabilities	424,975	515,989
Total noncurrent liabilities	<u>1,670,817</u>	<u>2,018,001</u>
Total liabilities	4,557,351	4,595,397
Deferred inflows of resources		
OPEB related deferred inflows	67,004	7,553
Pension related deferred inflows	27,084	42,550
TIF related deferred inflows	191,185	132,985
Total deferred inflows of resources	<u>285,273</u>	<u>183,088</u>
Total liabilities and deferred inflows of resources	4,842,624	4,778,485
Net Position		
Net investment in capital assets	14,921,368	15,954,682
Restricted	432,323	462,169
Unrestricted	16,697,614	13,957,872
Total net position	<u>32,051,305</u>	<u>30,374,723</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 36,893,929</u>	<u>\$ 35,153,208</u>

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Revenue, Expenses and Changes in Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Operating revenues:		
Sales of gas:		
Residential	\$ 8,375,340	\$ 8,980,040
Commercial	3,832,775	4,085,842
Governmental	1,898,681	2,455,646
Industrial	1,175,902	1,240,366
Interdepartmental	1,038,602	1,002,286
Total sales of gas	<u>16,321,300</u>	<u>17,764,180</u>
Other operating revenues	<u>15,682</u>	<u>53,925</u>
Total operating revenues	<u>16,336,982</u>	<u>17,818,105</u>
Operating expenses:		
Production:		
Natural gas purchased for resale	10,199,716	11,691,628
Other	-	10,608
Distribution	1,750,230	1,493,182
Administrative and general	2,260,325	2,293,830
Customer service and information expenses	357,390	405,684
Customer accounts	395,560	400,829
Sales	17,210	18,446
Depreciation and amortization	676,863	939,868
Taxes other than income taxes	186,019	180,803
Total operating expenses	<u>15,843,313</u>	<u>17,434,878</u>
Operating income	<u>493,669</u>	<u>383,227</u>
Non-operating revenues (expenses):		
AFUDC	2,248	5,549
Contributed capital	12,629	51,378
Interest income	789,033	621,753
Miscellaneous revenue, net	67,429	65,754
Total non-operating revenues (expenses)	<u>871,339</u>	<u>744,434</u>
Special Item - Intercompany asset sale gain	311,574	-
Change in net position	1,676,582	1,127,661
Net position, beginning of year, as previously reported		29,584,873
Adjustments (Note 14)		<u>(337,811)</u>
Net position, beginning of year, as restated	<u>30,374,723</u>	<u>29,247,062</u>
Net position, end of year	<u>\$ 32,051,305</u>	<u>\$ 30,374,723</u>

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 15,036,939	\$ 21,905,724
Cash paid to suppliers	(13,059,054)	(16,852,979)
Cash paid to employees	(1,527,550)	(1,426,370)
Payment in lieu of taxes to the City of Cedar Falls	<u>(513,200)</u>	<u>(604,416)</u>
Net cash provided by / (used in) operating activities	<u>(62,865)</u>	<u>3,021,959</u>
Cash flows from capital and related financing activities:		
Proceeds from customer advances for construction	52,380	56,488
Refunds of customer advances for construction	(32,200)	(9,540)
Acquisition, construction and removal cost of capital assets	(854,132)	(1,317,500)
Proceeds from sale of capital assets	1,579,765	1,051
Reimbursement of utility construction costs	<u>12,629</u>	<u>51,378</u>
Net cash provided by / (used in) capital and related financing activities	<u>758,442</u>	<u>(1,218,123)</u>
Cash flows from investing activities:		
Proceeds from maturities of investment securities	4,600,000	4,545,063
Purchase of investment securities	(5,400,000)	(4,600,000)
Interest received	<u>739,215</u>	<u>494,555</u>
Net cash provided by / (used in) investing activities	<u>(60,785)</u>	<u>439,618</u>
Net increase in cash and cash equivalents	634,792	2,243,454
Cash and cash equivalents, beginning of year	<u>10,899,280</u>	<u>8,655,826</u>
Cash and cash equivalents, end of year (note 1)	<u><u>\$ 11,534,072</u></u>	<u><u>\$ 10,899,280</u></u>

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Reconciliation of operating income to net cash provided by (used) for operating activities		
Operating income	\$ 493,669	\$ 383,227
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation and amortization of capital assets	676,863	939,868
Other income (expense), net	67,429	62,106
(Increase) decrease in accounts receivable	(1,409,835)	4,128,714
(Increase) decrease in inventories	(77,251)	73,266
(Increase) decrease in prepayments and other	41,150	(97,540)
Increase (decrease) in accounts payable	434,583	(2,153,419)
Increase (decrease) in reserve for surplus declaration	(76,900)	(91,216)
Increase (decrease) in accrued wages and vacation	(15,314)	(367)
Increase (decrease) in other accrued expenses	(182,647)	(181,917)
Increase (decrease) in other liabilities	<u>(14,612)</u>	<u>(40,763)</u>
Net cash provided by (used for) operating activities	<u>\$ (62,865)</u>	<u>\$ 3,021,959</u>
Schedule of noncash investing, capital and financing activities:		
AFUDC	2,248	5,549
Expiration of customer advances for construction	-	3,648
Reconciliation of cash and cash equivalents to statement of net position accounts:		
Cash and cash equivalents - unrestricted	\$ 11,041,737	\$ 10,395,500
Cash and cash equivalents - restricted	<u>492,335</u>	<u>503,780</u>
Cash and cash equivalents	<u>\$ 11,534,072</u>	<u>\$ 10,899,280</u>

See accompanying notes to financial statements.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

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

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

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease and SBITA assets, the measurement of which is discussed under “Leases” and “Subscription-Based Information Technology Arrangements” below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 4.03% in 2024 and 3.97% 2023. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated services and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: infrastructure – 17 to 65 years, buildings, and improvements – 15 to 60 years, and equipment – 12 to 40 years. The depreciation provisions were equivalent to an overall composite rate of 2.0% of depreciable assets for 2024 and 2.8% for 2023.

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

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

Leases

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

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

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

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

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Subscription-Based Information Technology Arrangements (SBITA)

The Utility has entered into contracts that convey the control of right-to-use information technology software. The Utility has recognized IT subscription liabilities and intangible right-to-use IT subscription assets in the Utility's financial statements. The Utility recognizes IT subscription liabilities with an initial, individual value of \$5,000, or more.

At the commencement of the IT subscription term, the Utility initially measures the subscription liability at the value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by payments made. The right-to-use IT subscription asset is initially measured by the sum of the initial IT subscription liability, adjusted for any payments made at or before the commencement date, plus implementation costs less any incentives received from the SBITA vendor at or before commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

Cash and Investments

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

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) on December 31, 2024 and 2023 were \$2,394,769 and \$503,212, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventories

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

Prepayments

Prepayments represent expenditures for services that have been paid in advance but will be received in the future. The Utility records prepayments for agreements that span one year or more and exceed a minimum dollar threshold. The Utility incurs prepayments for expenditures such as insurance premiums, software subscriptions, and support and maintenance of software and hardware.

Deferred Outflows of Resources

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

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Pensions

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

Total OPEB Liability

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

Deferred Inflows of Resources

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

Net Position

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

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

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Restricted for/by		
Health and Dental Insurance	\$ 432,323	\$ 462,169

Natural Gas Commodity Purchases

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

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Operating Revenues and Expenses

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

Revenues from the sale of gas are based on billing rates, which are applied to customers' consumption of natural gas. The Utility records estimated unbilled revenue, including amounts to be billed under a purchased gas adjustment clause, at the end of accounting periods. Revenues earned, but not yet billed at December 31, 2024 and 2023 were \$1,701,969 and \$1,260,425, respectively, and are recorded in customer accounts receivable. The Utility uses a purchased gas adjustment clause whereby variable fuel costs are billed to customers and included in operating revenue without changing base rates charged to customers.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. In 2024 and 2023, there were no budget amendments.

Grants

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

Employee Benefits

Utility employees accumulate earned but unused vacation and sick leave hours for subsequent use. The Utility pays 100% of earned vacation hours at the employee's hourly rate upon termination, retirement, or death. A liability has been established for all earned, but unused vacation hours based on pay rates as of December 31. The Utility does not pay for unused sick leave upon termination, retirement, or death. Liabilities have been established for earned, but unused sick leave hours estimated to be used in subsequent periods based on pay rates as of December 31.

Accrued wages represent time employees worked during the calendar year but are unpaid on December 31.

The Gas Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay shall apply only to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2024 and 2023, the accrued liability was \$105,828 and \$131,815, respectively.

Customer Advances

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

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Reclassifications

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

Special Items

Special Items are significant transactions or other events that are within the control of management that are either:

Unusual in nature - Transactions that possess a high degree of abnormality and is clearly unrelated to typical utility operations.

Infrequent in occurrence - Transactions that are not reasonably expected to recur in the foreseeable future.

Judgement is required to determine which items should be considered Special Items and segregated within the financial statements.

Implementation of GASB Statement No. 101

As of January 1, 2023, the Utility adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The impact to the Utility resulted in the reporting of sick leave liabilities not previously reported and the effect of the implementation of this standard on the beginning net position is disclosed in Note 14.

(2) Restricted Assets

The composition of restricted assets as of December 31, 2024 and 2023 was as follows:

	2024	Cash	Investments	Total
Current Assets - Restricted				
Self Insured Dental	\$	11,842	\$ -	\$ 11,842
Self Insured Medical		480,493	-	480,493
Total Current Assets - Restricted		492,335	-	492,335
Total Restricted Assets	\$	492,335	\$ -	\$ 492,335
	2023	Cash	Investments	Total
Current Assets - Restricted				
Self Insured Dental	\$	10,511	\$ -	\$ 10,511
Self Insured Medical		493,269	-	493,269
Total Current Assets - Restricted		503,780	-	503,780
Total Restricted Assets	\$	503,780	\$ -	\$ 503,780

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

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(3) Cash and Investments

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

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

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

Interest Rate Risk

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

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2024 or 2023. The Utility's investments in Federal Agency Obligations were rated AAA by Standard & Poor's and by Moody's Investors Services. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2024 or 2023.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk with regards to investments since all investments were held by the Utility or its agent in the Utility's name.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(3) Cash and Investments, continued

Reconciliation to Financial Statements

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

	<u>2024</u>	<u>2023</u>
Petty cash	\$ 100	\$ 100
Checking & Sweep	5,703,690	6,624,984
Money markets	3,435,513	3,770,984
Carrying amount of IPAIT	2,394,769	503,212
Certificates of deposits	5,400,000	3,500,000
Carrying amount of federal agency obligations	-	1,100,000
Total	<u>\$ 16,934,072</u>	<u>\$ 15,499,280</u>
Current Assets		
Cash and cash equivalents - unrestricted	\$ 11,041,737	\$ 10,395,500
Investments - unrestricted	5,400,000	4,600,000
Current assests unrestricted total	<u>16,441,737</u>	<u>14,995,500</u>
Cash and cash equivalents - restricted	492,335	503,780
Current assests restricted total	<u>492,335</u>	<u>503,780</u>
Total per statement of net position	<u>\$ 16,934,072</u>	<u>\$ 15,499,280</u>

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

	<u>2024</u>	<u>2023</u>
Unrestricted Cash and Investments		
Board Designated		
Capital Replacement	\$ 7,388,801	\$ 6,571,453
Payments in Lieu of Taxes	436,300	513,200
Operating	8,616,636	7,910,847
Total Unrestricted Cash and Investments	<u>\$ 16,441,737</u>	<u>\$ 14,995,500</u>

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2024 and 2023 follows:

2024	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 25,617	\$ -	\$ -	\$ 25,617
Construction work in progress	45,388	848,827	(837,868)	56,347
Total capital assets, not being depreciated	71,005	848,827	(837,868)	81,964
Capital assets, being depreciated/amortized:				
Infrastructure	28,193,557	684,521	(127,561)	28,750,517
Buildings and improvements	4,223,684	57,302	(1,717,243)	2,563,743
Equipment	579,756	96,045	(8,796)	667,005
Right-to-use leased assets	10,817	-	-	10,817
Right-to-use subscription assets	156,448	2,952	-	159,400
Total capital assets, being depreciated/amortized	33,164,262	840,820	(1,853,600)	32,151,482
Less accumulated depreciation/amortization for:				
Infrastructure	(15,707,699)	(565,208)	142,895	(16,130,012)
Buildings and improvements	(1,038,158)	(37,906)	450,361	(625,703)
Equipment	(383,310)	(29,357)	8,796	(403,871)
Right-to-use leased assets	(6,124)	(2,319)	-	(8,443)
Right-to-use subscription assets	(61,095)	(35,549)	-	(96,644)
Total accumulated depreciation/amortization	(17,196,386)	(670,339)	602,052	(17,264,673)
Total capital assets being depreciated/amortized, net	15,967,876	170,481	(1,251,548)	14,886,809
Net capital assets	\$ 16,038,881	\$ 1,019,308	\$ (2,089,416)	\$ 14,968,773

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(4) Capital Assets, continued

2023	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 25,617	\$ -	\$ -	\$ 25,617
Construction work in progress	15,460	1,285,286	(1,255,358)	45,388
Total capital assets, not being depreciated	41,077	1,285,286	(1,255,358)	71,005
Capital assets, being depreciated/amortized:				
Infrastructure	27,092,579	1,239,619	(138,641)	28,193,557
Buildings and improvements	4,287,240	9,458	(73,014)	4,223,684
Equipment	557,841	52,017	(30,102)	579,756
Right-to-use leased assets	10,817	-	-	10,817
Right-to-use subscription assets	146,081	10,367	-	156,448
Total capital assets, being depreciated/amortized	32,094,558	1,311,461	(241,757)	33,164,262
Less accumulated depreciation for:				
Infrastructure	(15,091,189)	(778,157)	161,647	(15,707,699)
Buildings and improvements	(990,124)	(103,440)	55,406	(1,038,158)
Equipment	(374,250)	(39,162)	30,102	(383,310)
Right-to-use leased assets	(3,805)	(2,319)	-	(6,124)
Right-to-use subscription assets	(28,415)	(32,680)	-	(61,095)
Total accumulated depreciation/amortization	(16,487,783)	(955,758)	247,155	(17,196,386)
Total capital assets being depreciated/amortized, net	15,606,775	355,703	5,398	15,967,876
Net capital assets	\$ 15,647,852	\$ 1,640,989	\$ (1,249,960)	\$ 16,038,881

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(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended December 31, 2024 and 2023 is as follows:

	Restated, Beginning			Ending	Amounts Due Within
2024	Balance	Additions	Reductions	Balance	One Year
Customer advances for construction	\$ 131,734	\$ 52,380	\$ 32,200	\$ 151,914	
Net pension liability	1,322,872	237,455	495,568	1,064,759	
Accrued severance	131,815	-	25,987	105,828	
OPEB	201,045	9,698	90,920	119,823	
Lease agreements	4,639	-	2,336	2,303	1,615
Subscription liability	79,560	2,952	37,409	45,103	16,622
Compensated absences *	501,622	85,209	-	586,831	387,507
Total	<u>\$2,373,287</u>	<u>\$ 387,694</u>	<u>\$ 684,420</u>	<u>\$2,076,561</u>	<u>\$ 405,744</u>

	Beginning			Ending	Amounts Due Within
2023 (Restated)	Balance	Additions	Reductions	Balance	One Year
Customer advances for construction	\$ 88,434	\$ 56,488	\$ 13,188	\$ 131,734	
Net pension liability	1,200,389	427,396	304,913	1,322,872	
Accrued severance	154,576	-	22,761	131,815	
OPEB	229,486	24,867	53,308	201,045	
Lease agreements	6,975	-	2,336	4,639	2,336
Subscription liability	102,137	10,366	32,943	79,560	34,457
Compensated absences *	520,580	-	18,958	501,622	318,493
Total	<u>\$2,302,577</u>	<u>\$ 519,117</u>	<u>\$ 448,407</u>	<u>\$2,373,287</u>	<u>\$ 355,286</u>

* The amounts for Compensated Absences are net of additions and reductions

Lease Agreements

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

Fiscal Year Ended	Amount
2025	\$ 1,615
2026	688
Total	<u>\$ 2,303</u>

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(5) Long-Term Liabilities, continued

IT Subscription Liability

The Utility has entered into subscription information technology arrangements for the right-to-use IT software, alone or in conjunction with a tangible capital asset. An IT subscription liability is established at the commencement of the arrangement and is initially measured at the value of the payments expected to be made during the term of the arrangement. Total future minimum IT subscription payments to be paid under IT subscription arrangements are as follows:

Fiscal Year Ended	Amount
2025	\$ 16,622
2026	14,240
2027	14,241
Total	<u>\$ 45,103</u>

(6) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Gas Utility. Employees of the Utility are provided with pensions through a cost sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report, which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.com.

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

Plan Benefits

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

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

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

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

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(6) Pension Plan - IPERS, continued

Disability and Death Benefits

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

Contributions

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

In fiscal year 2024 and 2023 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2024 and 2023 were \$260,001 and \$248,341, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024 and 2023, the Utility reported a liability of \$1,064,759 and \$1,322,872, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all Regular Membership IPERS participating employers. On June 30, 2024, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.029240 percent, which was a decrease of 0.000069 percent from its proportion measured as of June 30, 2023 of 0.029308 percent.

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(6) Pension Plan - IPERS, continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

For the years ended December 31, 2024 and 2023, the Utility recognized pension expense of \$105,455 and \$64,566 respectively. On December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,724	\$ 661	\$ 111,917	\$ 5,437
Changes of assumptions	-	15	-	21
Net difference between projected and actual earnings on pension plan investments	13,316	-	122,514	-
Changes in proportion and differences between Utility's contributions and proportionate share of contributions	39,506	26,408	27,010	37,092
Utility's contributions subsequent to the measurement date	131,951	-	127,089	-
Total	\$ 269,497	\$ 27,084	\$ 388,530	\$ 42,550

Subsequent to the measurement date \$131,951 was reported as deferred outflows of resources related to pensions resulting from the Utility's contributions and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2024	2023
December 31, 2025	\$ (133,092)	\$ (97,023)
December 31, 2026	259,525	293,166
December 31, 2027	11,559	46,627
December 31, 2028	(29,849)	5,588
December 31, 2029	2,319	na

There were no non-employer contributing entities at IPERS.

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(6) Pension Plan - IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the PubG-2010 Mortality Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Reports 2024 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	3.52%
International Equity	13.0%	5.18%
Global smart beta equity	5.0%	4.12%
Core-plus Fixed Income	25.5%	3.04%
Public Credit	3.0%	4.53%
Cash	1.0%	1.69%
Private Equity	17.0%	8.89%
Private Real Assets	9.0%	4.25%
Private Credit	5.5%	6.62%
Total	100%	

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(6) Pension Plan - IPERS, continued

Discount Rate

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

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-24	\$ 2,612,899	\$ 1,064,759	\$ (231,644)
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-23	\$ 2,812,721	\$ 1,322,872	\$ 74,354

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At December 31, 2024 and 2023, the Utility reported a payable of \$34,015 and \$30,238, respectively to the defined benefit pension plan for legally required employer contributions and a payable of \$21,052 and \$13,198, respectively for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

(7) Income Tax Status

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

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(8) Related Party Transactions

The Utility provides gas service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$102,992 and \$134,942 in 2024 and 2023, respectively. The Utility also reimburses the City for some infrastructure project or construction costs. In 2024 and 2023, these costs were \$0 and \$24,753, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2024 to reimburse the Gas Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This other receivable, with an outstanding balance of \$191,185 and \$132,985 as of December 31, 2024 and 2023, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources on December 31, 2024 and 2023 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$2,666 and \$908 in 2024 and 2023, respectively, and is recorded as contributed capital in the statements of revenues, expenses, and changes in net position.

The Utility makes payments in lieu of taxes upon approval by the Board of Trustees to the City of Cedar Falls, Iowa. Expenses for 2024 and 2023 were \$436,300 and \$513,200 respectively, which were recorded in administrative and general expenses. Subsequent to December 31, 2024, the Utility's Board of Trustees approved the payment of \$436,300 related to payments in lieu of taxes for 2024 at their April 2025 Board of Trustees meeting.

In May 2022, the Board of Trustees approved a resolution to participate in a Central Plains Energy Project (CPEP) bond sale. In late 2022 it was discovered that the City of Cedar Falls had issued bank-qualified bonds in July 2022. Since the Gas Utility was also participating in the CPEP bond sale, it caused the entities combined bond sales to exceed the IRS bank-qualified status allowed for small issuers. The Gas Utility had not properly notified the City of Cedar Falls of its participation in the CPEP bond sale and due to that oversight, the Gas Utility reimbursed the City for their costs to correct the bank-qualified status of their 2022 bond sale. In 2023, payments were made to the City in the amounts of \$86,340 for settlement payments with the bond holders and \$3,107 for reimbursement of City staff time related to the issue. It should also be noted that the Utility had additional payments in 2023 related to this oversight. Payments were made for legal and financial advisory work of \$26,183 and \$4,800, respectively on behalf of the City. For more information on CPEP see Note 11 - Commitments and Contingencies.

(9) Risk Management

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

The Utilities maintain a risk management account for risks related to their self-insured medical plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2024 plan year for aggregate medical claims exceeding \$3.4 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual payment of claims incurred prior to year-end. The IBNR estimate is based on the Utilities claims payment history. The Gas Utility has a balance of \$36,900 and \$19,900 included in accounts payable for its share of the IBNR claims at December 31, 2024 and 2023, respectively.

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(9) Risk Management, continued

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 525 governmental entities participate in the Association as of June 30, 2024. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

The following table sets forth summarized financial data of the Association as of and for its year ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents and investments	\$ 112,145,244	\$ 106,486,867
Receivables	2,236,160	2,234,566
Other assets	5,060,805	4,268,864
Total assets	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total liabilities	 \$ 38,475,506	 \$ 40,400,076
Total net position	<u>80,966,703</u>	<u>72,590,221</u>
Total liabilities and net position	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total revenues	 \$ 25,882,509	 \$ 22,820,591
Total expenses	<u>17,506,027</u>	<u>19,426,051</u>
Net increase in net position	<u>\$ 8,376,482</u>	<u>\$ 3,394,540</u>

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

(10) Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must meet all the following criteria:

- Be at least 55 by your retirement date.
- Apply for a bona fide retirement and begin to receive IPERS benefits following termination of employment; or is eligible to begin receiving an IPERS monthly pension benefit.
- Be currently enrolled in CFU's insurance plan at the time of election.

Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

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

At November 1, 2023, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	80
Active members	<u>189</u>
	<u>269</u>

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,198,233 and \$1,827,687 was measured as of December 31, 2024 and December 31, 2023, respectively, and was determined by an actuarial valuation as of January 1, 2024 and January 1, 2022, respectively.

At December 31, 2024 and 2023, the Municipal Gas Utility reported a liability of \$119,823 and \$201,045, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2024)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2024)	4.00%	per annum.
Discount rate		
(effective January 1, 2024)	3.26%	per annum.
Healthcare cost trend rate		
(effective January 1, 2024)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

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

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

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

Changes in the Total OPEB Liability

	2024	2023
	Total OPEB	Total OPEB
	Liability	Liability
Utility's share of total OPEB liability beginning of year	\$ 201,045	\$ 229,486
Changes for the year:		
Changes in Utility's proportion	(18,276)	(35,306)
Service cost	5,839	11,723
Interest	3,859	4,149
Changes of benefit terms	-	-
Difference between expected and actual experiences	(49,516)	8,995
Changes in assumptions	(18,308)	-
Benefit payments	(4,820)	(18,002)
Net changes	<u>(81,222)</u>	<u>(28,441)</u>
Utility's share of total OPEB liability end of year	<u>\$ 119,823</u>	<u>\$ 201,045</u>

Changes of assumptions reflect a change in the discount rate from 2.06% in fiscal year 2022 to 3.26% in fiscal year 2024.

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

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.26%) or 1% higher (4.26%) than the current discount rate.

	1%	Discount	1%
	Decrease	Rate	Increase
	(2.26%)	(3.26%)	(4.26%)
Utility's share of total OPEB liability at December 31, 2024	\$ 131,744	\$ 119,823	\$ 109,465

	1%	Discount	1%
	Decrease	Rate	Increase
	(1.06%)	(2.06%)	(3.06%)
Utility's share of total OPEB liability at December 31, 2023	\$ 220,788	\$ 201,045	\$ 183,784

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

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

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

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Utility's share of total OPEB liability at December 31, 2024	\$ 110,826	\$ 119,823	\$ 130,562
Utility's share of total OPEB liability at December 31, 2023	\$ 183,914	\$ 201,045	\$ 221,639

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

At December 31, 2024 and 2023, the Utility recognized OPEB expense of \$(3,767) and \$(3,340), respectively.

At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,952	\$ 50,473	\$ 28,580	\$ 7,553
Changes in assumptions	17,030	16,531	22,586	-
	<u>\$ 37,982</u>	<u>\$ 67,004</u>	<u>\$ 51,166</u>	<u>\$ 7,553</u>

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

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

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

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

Year-ending December 31,	2024 Amount	2023 Amount
2024	N/A	\$ 8,144
2025	\$ 819	8,144
2026	819	8,144
2027	819	8,144
2028	(4,209)	2,612
2029	(3,639)	3,239
Thereafter	(23,631)	5,186
	<u>\$ (29,022)</u>	<u>\$ 43,613</u>

(11) Commitments and Contingencies

The Utility has a natural gas transportation contract with a pipeline, which expires in 2027. Total payments include transportation charges and commodity charges. Minimum transportation payments for 2025 are expected to be approximately \$3.9 million at current rates.

The Utility is a member of the Central Plains Energy Project. This organization was created in 2006 to accomplish the members' joint and cooperative action with respect to the acquisition, transportation scheduling, management and related services and functions, which are necessary to provide the members secure, reliable, and economic supplies of natural gas. This membership allows the Utility to purchase a fixed amount of gas at a discount from market prices for 30 years with 5-year renewal targets. The Utility has four active projects that expire in 2049, 2042, 2054 or 2053.

The Utility will periodically enter into fixed price contracts for gas in future heating seasons. Fixed price contracts for gas have not been committed to for the current heating season. The estimated commitment for 2025 and beyond is \$0.

The Utility may also enter into pricing agreements during any given heating season. Pricing agreements settle against an index based on fixed quantities. There were no future commitments in this heating season.

As of December 31, 2024, the Utility participated in several construction projects scheduled to be completed by 2026 with an estimated cost to complete of \$546,000.

(12) Subsequent Events

Subsequent events for the Utility have been evaluated through April 28, 2025, which is the date that the financial statements were available to be issued.

Effective January 1, 2025, the Board of Trustees approved a 7.0% base rate increase.

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(13) Special Items

During 2024 the Utility entered into an agreement to purchase and sell capital assets to and from affiliated Utilities. Historically, structural (building) related assets that are used by multiple entities were either owned by the Electric Utility or by the Electric, Gas, and Water Utilities, depending on the type of structure. Rent was charged to the Communications Utility, dependent on ownership percentages and building usage. The purchase and sale of capital assets reallocates the ownership percentages for each Utility and eliminates future rent income.

This transaction was valued at fair value and resulted in a gain of \$311,574 over the net book value of assets sold. The Utility received \$1,578,457 as a result of the transaction.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, was implemented during 2024. The standard requires recognition of certain compensation absence related liabilities that were previously unrecognized. It requires that a liability be recognized for unused leave that (a) is attributed to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As a result of adopting GASB Statement No. 101, *Compensated Absences*, in fiscal year 2024, the beginning net position was restated to retroactively report the change in value of liabilities as follows:

Net position December 31, 2022, as previously reported	\$	29,584,873
Add short term sick leave liability under		
GASB No. 101 at December 31, 2022	\$	(135,508)
Add long term sick leave liability under		
GASB No. 101 at December 31, 2022		<u>(202,303)</u>
Net position January 1, 2023, as restated	\$	<u>29,247,062</u>

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

Schedule of Utilities Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Utility's proportion of the net pension liability (asset)	0.029240%	0.029308%	0.031772%	-0.012839%	0.029763%
Utility's proportionate share of the net pension liability	\$ 1,064,759	\$ 1,322,872	\$ 1,200,389	\$ 44,325	\$2,090,749
Utility's Covered payroll	\$ 2,702,750	\$ 2,567,770	\$ 2,557,658	\$ 2,566,128	\$2,361,078
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	39.40%	51.52%	46.93%	1.73%	88.55%
Plan fiduciary net position as a percentage of the total pension liability	92.30%	90.13%	91.40%	100.81%	82.90%
	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability (asset)	0.029079%	0.028401%	0.027453%	0.029325%	0.028655%
Utility's proportionate share of the net pension liability	\$ 1,683,839	\$ 1,797,303	\$ 1,828,698	\$ 1,845,493	\$1,415,692
Utility's Covered payroll	\$ 2,212,988	\$ 2,135,470	\$ 2,049,215	\$ 2,104,446	\$1,963,123
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.16%	89.24%	87.69%	72.11%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 260,001	\$ 248,341	\$ 242,121	\$ 241,592	\$ 229,265
Contributions in relation to the statutorily required contribution	<u>(260,001)</u>	<u>(248,341)</u>	<u>(242,121)</u>	<u>(241,592)</u>	<u>(229,265)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,754,250	\$ 2,630,730	\$ 2,564,840	\$ 2,559,232	\$ 2,428,655
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 221,680	\$ 195,011	\$ 186,403	\$ 185,043	\$ 176,125
Contributions in relation to the statutorily required contribution	<u>(221,680)</u>	<u>(195,011)</u>	<u>(186,403)</u>	<u>(185,043)</u>	<u>(176,125)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,348,304	\$ 2,122,084	\$ 2,087,378	\$ 2,072,155	\$ 1,972,286
Contributions as a percentage of covered payroll	9.44%	9.19%	8.93%	8.93%	8.93%

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

Notes to Required Supplemental Information
Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

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

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

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

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

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

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

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Changes in Utility's proportion	\$ (18,276)	\$ (35,306)	\$ 15,474	\$ -	\$ -
Service cost	5,839	11,723	13,321	10,731	10,318
Interest	3,859	4,149	4,747	6,007	5,999
Changes of benefit terms	-	-	2,360	-	-
Difference between expected and actual experiences	(49,516)	8,995	(5,078)	7,919	(1,972)
Changes in assumptions	(18,308)	-	14,452	-	12,606
Benefit payments	(4,820)	(18,002)	(17,898)	(23,209)	(11,966)
Net change in Utility's share of total OPEB liability	(81,222)	(28,441)	27,378	1,448	14,985
Utility's share of total OPEB liability beginning of year	201,045	229,486	202,108	200,660	185,675
Utility's share of total OPEB liability end of year	\$ 119,823	\$ 201,045	\$ 229,486	\$ 202,108	\$ 200,660
Covered-employee payroll	\$ 2,416,725	\$ 2,378,267	\$ 2,354,068	\$ 2,277,987	\$ 2,233,058
Utility's share of total OPEB liability as a percentage of covered-employee payroll	4.96%	8.45%	9.75%	8.87%	8.99%

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

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

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

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2024	2023	2022	2021	2020
Discount Rate Used	3.26%	2.06%	2.06%	2.74%	2.74%

MUNICIPAL GAS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2019	2018
Changes in Utility's proportion	\$ -	\$ -
Service cost	7,733	7,435
Interest	6,375	6,303
Changes of benefit terms	-	-
Difference between expected and actual experiences	(4,889)	43,008
Changes in assumptions	-	17,334
Benefit payments	(7,157)	(17,876)
Net change in Utility's share of total OPEB liability	2,062	56,204
Utility's share of total OPEB liability beginning of year	183,613	127,409
Utility's share of total OPEB liability end of year	\$ 185,675	\$ 183,613
Covered-employee payroll	\$ 2,203,762	\$ 1,991,492
Utility's share of total OPEB liability as a percentage of covered-employee payroll	8.43%	9.22%

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2019	2018
Discount Rate Used	3.44%	3.44%



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Municipal Gas Utility of the City of Cedar Falls, Iowa (Municipal Gas Utility), as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Gas Utility's basic financial statements and have issued our report thereon dated April 28, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 were not identified.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Municipal Gas Utility's operations for the year ended December 31, 2024, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Gas Utility and are reported in Part III of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
April 28, 2025

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 2024.

Part III: Other Findings Related to Required Statutory Reporting:

- | | |
|-----------|--|
| 2024-IA-A | Certified Budget – Disbursements during the year ended December 31, 2024, did not exceed the amount budgeted. |
| 2024-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. |
| 2024-IA-C | Travel Expense – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted. |
| 2024-IA-D | Business Transactions – No business transactions between the Utility and Utility officials or employees were noted. |
| 2024-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. |
| 2024-IA-F | Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. |
| 2024-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. |
| 2024-IA-H | Revenue Bonds – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted. |
| 2024-IA-I | Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted. |
| 2024-IA-J | Restricted Donor Activity – No transactions were noted between the Utility and Utility Officials, Utility employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa. |



Cedar Falls Utilities

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

Including Independent Auditors' Reports

For The Years Ended December 31, 2024 and 2023

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Water Utility of the City of Cedar Falls, Iowa (Municipal Water Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Water Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Water Utility, as of December 31, 2024 and 2023, the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the Municipal Water Utility has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Accordingly, a restatement has been made to the Municipal Water Utility's net position as of January 1, 2023. In accordance with GASB Statement No. 101, the financial statements as of and for the year then ended December 31, 2023, 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 Municipal Water Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025, on our consideration of the Municipal Water Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Water Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Water Utility's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, IA
April 28, 2025

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

The following financial analysis and condensed statements of the Municipal Water Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2024 and 2023. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

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

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

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

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

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

The Utility adopted GASB 96 effective January 1, 2023. Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, defines SBITAs and requires recognition of certain right-to-use subscription assets and liabilities that were previously classified as outflows of resources or prepayments. Beginning fiscal year 2022 net position was retroactively restated to include SBITA assets and liabilities.

The Utility adopted GASB 101 effective January 1, 2024. Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Beginning fiscal year 2023 net position was retroactively restated to include sick leave related liabilities. The effect of implementation on net position is detailed in Note 15.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

Utility Financial Analysis

Condensed Statement of Net Position

	2024	2023 (Restated)	2024 Change	2022 (Not Restated)	2023 Change
Net Capital Assets	\$ 41,376,802	\$ 37,866,903	3,509,899	\$ 35,192,147	2,674,756
Noncurrent Assets	5,022,533	5,077,838	(55,305)	4,605,905	471,933
Current Assets	9,490,610	8,396,359	1,094,251	8,568,993	(172,634)
Deferred Outflows of Resources	236,416	321,783	(85,367)	186,121	135,662
Total Assets and Deferred Outflows of Resources	\$ 56,126,361	\$ 51,662,883	4,463,478	\$ 48,553,166	3,109,717
Current Liabilities	2,152,446	1,018,025	1,134,421	497,786	520,239
Noncurrent Liabilities	1,155,248	1,406,735	(251,487)	1,099,403	307,332
Deferred Inflows of Resources	5,358,190	5,410,727	(52,537)	5,071,764	338,963
Total Liabilities and Deferred Inflows of Resources	8,665,884	7,835,487	830,397	6,668,953	1,166,534
Net Position					
Net Investment in Capital Assets	41,343,656	37,803,569	3,540,087	35,109,111	2,694,458
Restricted	347,783	362,884	(15,101)	343,191	19,693
Unrestricted	5,769,038	5,660,943	108,095	6,431,911	(770,968)
Total Net Position	47,460,477	43,827,396	3,633,081	41,884,213	1,943,183
Total Liabilities, Deferred Inflows and Net Position	\$ 56,126,361	\$ 51,662,883	4,463,478	\$ 48,553,166	3,109,717

2024 Compared to 2023, significant changes include:

- ❖ Net Capital Assets: An increase due to more assets being placed into service, primarily driven by water main replacements in conjunction with street reconstruction projects. See Note 4 – Capital Assets.
- ❖ Current Assets: An increase primarily due to an increase in unrestricted cash. Increase is primarily from an increase in water sales revenue and less cash outflow for capital assets. For sources and usage of cash see the Statement of Cash Flows.
- ❖ Current Liabilities: Increase is primarily from an increase in accounts payable due the timing of payments of capital assets at year end.
- ❖ Noncurrent Liabilities: Decrease is mostly from a decrease in net pension liability. See Note 7 – Pension Plan – IPERS.

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2023 Compared to 2022, significant changes include:

- ❖ Net Capital Assets: An increase due to more assets being placed into service, primarily driven by water main replacements in conjunction with street reconstruction projects.
- ❖ Noncurrent Assets: An increase primarily due to an increase in lease receivables due to the renewal of a long-term water tower lease.
- ❖ Current Assets: Decrease primarily driven by a decrease in unrestricted cash and investments due to an increase in construction of capital assets. For sources and uses of cash see the Statement of Cash Flows.
- ❖ Deferred Outflows of Resources: Increase is primarily due to increase in pension related deferred outflows of resources. See Note 7 – Pension Plan – IPERS.
- ❖ Current Liabilities: Increase primarily due to an increase in accounts payable due the timing of payments.
- ❖ Deferred Inflows of Resources: Increase primarily from an increase in lease related deferred inflows of resources due to the renewal of a long-term water tower lease.

Condensed Revenues, Expenses and Changes in Net Position

	2024	2023 (Restated)	2024 Change	2022 (Not Restated)	2023 Change
Sales of Water	\$ 6,310,986	\$ 6,034,186	276,800	\$ 5,181,668	852,518
Other	459,886	512,869	(52,983)	508,390	4,479
Total Operating Revenues	6,770,872	6,547,055	223,817	5,690,058	856,997
Operation & Maintenance	2,196,283	2,657,540	(461,257)	1,951,139	706,401
Depreciation and Amortization	881,486	975,354	(93,868)	924,443	50,911
Services and Administrative	2,180,163	2,057,795	122,368	1,606,483	451,312
Total Operating Expenses	5,257,932	5,690,689	(432,757)	4,482,065	1,208,624
Total Non-Operating Revenues (Expenses)	657,821	629,359	28,462	323,384	305,975
Noncash Capital Contributions	1,531,081	675,570	855,511	778,323	(102,753)
Special Item Revenue (Expense)	(68,761)	0	(68,761)	0	0
Change in Net Position	3,633,081	2,161,295	1,471,786	2,309,700	(148,405)
Net Position, Beginning of Year, as Restated	43,827,396	41,666,101	2,161,295	39,574,513	2,091,588
Net Position, End of Year	\$ 47,460,477	\$ 43,827,396	3,633,081	\$ 41,884,213	1,943,183

2024 Compared to 2023, significant changes include:

- ❖ Total operating revenues increased due a 9.6% base rate increase.
- ❖ Total operating expenses decreased primarily driven by the following reasons: a reduction of \$376,000 in water service replacements, a reduction of \$118,000 in water main maintenance, a reduction of \$94,000 in depreciation as a result of a 2023 depreciation study.
- ❖ Noncash Capital Contributions increased due to an increase in developer led water main additions.

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2023 Compared to 2022, significant changes include:

- ❖ Total operating revenues increased due a 9.5% base rate increase and a 13% increase in water usage.
- ❖ Total operating expenses increased primarily driven by the following reasons: \$822,000 of water service replacements due to street reconstruction projects, \$130,000 increase in pension related expenses.
- ❖ Non-Operating revenues increased primarily due to an increase in interest rates.

Condensed Statement of Cash Flows

	2024	2023	2024 Change	2022	2023 Change
Cash Flows from					
Operating Activities	\$ 2,536,364	\$ 2,329,653	206,711	\$ 2,072,143	257,510
Capital and Related Financing Activities	(1,844,593)	(2,938,602)	1,094,009	(1,324,166)	(1,614,436)
Investing Activities	325,339	(601,872)	927,211	(537,060)	(64,812)
Net Change in Cash and Cash Equivalents	1,017,110	(1,210,821)	2,227,931	210,917	(1,421,738)
Cash and Cash Equivalents - Beginning of Year	5,350,366	6,561,187	(1,210,821)	6,350,270	210,917
Cash and Cash Equivalents - End of Year	\$ 6,367,476	\$ 5,350,366	1,017,110	\$ 6,561,187	(1,210,821)

2024 Compared to 2023, significant changes include:

- ❖ Cash inflows from operating activities increased primarily due to an increase in operating revenues due to an increase in water base rates.
- ❖ Cash outflows from capital and related financing activities decreased due to the timing of payments for capital assets at year end. \$1.5 million of capital related purchases incurred in 2024 were accrued but unpaid as of year-end.
- ❖ Cash inflows from investing activities increased due to more proceeds from investment maturities and more interest received.

2023 Compared to 2022, significant changes include:

- ❖ Cash inflows from operating activities increased primarily due to an increase in operating revenues due to an increase in water base rates.
- ❖ Cash outflows from capital and related financing activities increased due to an increase in capital asset purchases in 2023.
- ❖ Cash outflows from investing activities increased due to an increase of investments held at year end, offset by an increase in inflows from interest due to increases in interest rates.

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Utility Capital Assets Activity

On December 31, 2024, the Utility had \$41.4 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Each year the Utility has capital improvement activities related to the acquisition, treatment, and distribution of water and activity related to the daily operations of the Utility, such as building improvements and security upgrades.

A summary of capital asset activity for the year ended December 31, 2024 (rounded) follows:

	Increases	Decreases
Wellhouses	\$ 20,000	\$ (3,000)
Towers	566,000	(60,000)
Distribution	3,663,000	(188,000)
Meters	227,000	(45,000)
General	294,000	(39,000)
Right-to-Use Related	3,000	-
Total capital assets, being depreciated/amortized	\$ 4,773,000	\$ (335,000)

Utility Debt Activity

There are no debt holdings for 2024 and 2023.

Utility Changes to Future Financial Statements

Effective January 1, 2025, the Board of Trustees approved a 9.9% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$628,000.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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	<u>2024</u>	<u>2023</u> (Restated)
Assets		
Capital assets:		
Capital assets, in service	\$ 57,803,946	\$ 53,365,505
Less accumulated depreciation / amortization	16,478,160	15,790,515
Net capital assets in service	41,325,786	37,574,990
Construction work in progress	51,016	291,913
Net capital assets	41,376,802	37,866,903
Noncurrent assets:		
Lease receivable	4,140,549	4,195,528
TIF related	881,984	882,310
Total noncurrent assets	5,022,533	5,077,838
Current assets:		
Cash and cash equivalents - unrestricted	5,970,392	4,954,960
Cash and cash equivalents - restricted	397,084	395,406
Investments - unrestricted	1,550,000	1,550,000
Receivables:		
Customer accounts, less allowance for doubtful accounts of \$5,100 in 2024 and \$5,300 in 2023	812,784	767,235
Lease receivable	415,317	424,076
Interest	42,630	23,413
Other	26,386	5,729
Material and supplies	162,515	169,316
Prepayments and other	113,502	106,224
Total current assets	9,490,610	8,396,359
Total assets	55,889,945	51,341,100
Deferred outflows of resources		
Pension related	198,448	275,319
OPEB related	37,968	46,464
Total deferred outflows of resources	236,416	321,783
Total assets and deferred outflows of resources	<u>\$ 56,126,361</u>	<u>\$ 51,662,883</u>

See accompanying notes to financial statements.

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	<u>2024</u>	<u>2023</u> (Restated)
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,863,010	\$ 641,341
Accrued wages and compensated absences	275,726	345,309
Other accrued expenses	695	1,187
Lease and subscription agreements	13,015	30,188
Total current liabilities	<u>2,152,446</u>	<u>1,018,025</u>
Noncurrent liabilities:		
Lease and subscription agreements	20,130	33,145
Net pension liability	780,890	926,333
Other liabilities	354,228	447,257
Total noncurrent liabilities	<u>1,155,248</u>	<u>1,406,735</u>
Total liabilities	3,307,694	2,424,760
Deferred inflows of resources		
Lease related	4,389,323	4,491,747
OPEB related	67,021	6,874
Pension related	19,862	29,796
TIF related	881,984	882,310
Total deferred inflows of resources	<u>5,358,190</u>	<u>5,410,727</u>
Total liabilities and deferred inflows of resources	8,665,884	7,835,487
Net Position		
Net investment in capital assets	41,343,656	37,803,569
Restricted	347,783	362,884
Unrestricted	5,769,038	5,660,943
Total net position	<u>47,460,477</u>	<u>43,827,396</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 56,126,361</u>	<u>\$ 51,662,883</u>

See accompanying notes to financial statements.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Revenue, Expenses and Changes in Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Operating revenues:		
Sales of water:		
Residential	\$ 4,466,090	\$ 4,302,777
Industrial	74,307	68,657
Commercial	1,424,550	1,317,563
Governmental	315,234	318,133
Interdepartmental	30,805	27,056
Total sales of water	6,310,986	6,034,186
Other operating revenues	459,886	512,869
Total operating revenues	<u>6,770,872</u>	<u>6,547,055</u>
Operating expenses		
Production:		
Purchased power from affiliated utility	152,866	157,252
Other	344,816	342,448
Distribution	1,698,601	2,157,840
Depreciation	881,486	975,354
Customer accounts	381,099	395,246
Customer service and informational	38,903	44,314
Sales	8,110	7,101
Administrative and general	1,602,778	1,474,353
Taxes other than income taxes	149,273	136,781
Total operating expenses	<u>5,257,932</u>	<u>5,690,689</u>
Operating income	<u>1,512,940</u>	<u>856,366</u>
Non-operating revenues (expenses):		
Interest income	344,556	322,201
Miscellaneous revenue (expense), net	290,560	286,298
AFUDC	22,379	20,860
Contributed capital	326	-
Total non-operating revenues (expenses)	<u>657,821</u>	<u>629,359</u>
Noncash Capital contributions	1,531,081	675,570
Special Item - Intercompany asset sale expense	(68,761)	-
Change in net position	3,633,081	2,161,295
Net position, beginning of year, as previously reported		41,884,213
Adjustments (Note 15)		<u>(218,112)</u>
Net position, beginning of year, as restated	<u>43,827,396</u>	<u>41,666,101</u>
Net position, end of year	<u>\$ 47,460,477</u>	<u>\$ 43,827,396</u>

See accompanying notes to financial statements.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flow
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 6,959,413	\$ 6,696,000
Cash paid to suppliers	(3,196,125)	(3,244,284)
Cash paid to employees	<u>(1,226,924)</u>	<u>(1,122,063)</u>
Net cash provided by operating activities	<u>2,536,364</u>	<u>2,329,653</u>
Cash flows from capital and related financing activities:		
Acquisition, construction and removal cost of capital assets	(1,868,355)	(2,952,511)
Proceeds from sale of capital assets	23,436	13,909
Reimbursement of utility construction costs	<u>326</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(1,844,593)</u>	<u>(2,938,602)</u>
Cash flows from investing activities:		
Proceeds from maturities of investment securities	1,550,000	654,512
Purchase of investment securities	(1,550,000)	(1,550,000)
Interest received	<u>325,339</u>	<u>293,616</u>
Net cash provided by / (used in) investing activities	<u>325,339</u>	<u>(601,872)</u>
Net increase (decrease) in cash and cash equivalents	1,017,110	(1,210,821)
Cash and cash equivalents, beginning of year	<u>5,350,366</u>	<u>6,561,187</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,367,476</u></u>	<u><u>\$ 5,350,366</u></u>

See accompanying notes to financial statements.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flow
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,512,940	\$ 856,366
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of capital assets	881,486	975,354
Other income (expense), net	290,560	286,298
(Increase) decrease in accounts receivable	(66,206)	(103,366)
(Increase) decrease in lease receivable	(38,686)	(34,661)
(Increase) decrease in inventories	6,801	(11,762)
(Increase) decrease in prepayments and other	25	(11,805)
Increase (decrease) in accounts payable	131,809	333,391
Increase (decrease) in accrued wages and compensated absences	(85,662)	75,715
Increase (decrease) in other accrued expenses	(77,878)	(32,382)
Increase (decrease) in other liabilities	<u>(18,825)</u>	<u>(3,495)</u>
Net cash provided by operating activities	<u>\$ 2,536,364</u>	<u>\$ 2,329,653</u>
Schedule of noncash investing, capital and financing activities:		
AFUDC	22,379	20,860
Contributions from contractors in aid of construction	1,531,081	675,570
Reconciliation of cash and cash equivalents to statement of net position accounts:		
Cash and cash equivalents - unrestricted	\$ 5,970,392	\$ 4,954,960
Cash and cash equivalents - restricted	<u>397,084</u>	<u>395,406</u>
Cash and cash equivalents	<u>\$ 6,367,476</u>	<u>\$ 5,350,366</u>

See accompanying notes to financial statements.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

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

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

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease and SBITA assets, the measurement of which is discussed under “Leases” and “Subscription-Based Information Technology Arrangements” below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 4.03% in 2024 and 3.97% 2023. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated service lives and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: infrastructure – 20 to 75 years, buildings, and improvements – 40 to 75 years, and equipment – 6 to 40 years. The depreciation provisions were equivalent to an overall composite rate of 1.6% and 1.9% of depreciable assets for 2024 and 2023, respectively.

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

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

Leases

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

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

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

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

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(1) Summary of Significant Accounting Policies, continued

Leases, continued

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

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

Subscription-Based Information Technology Arrangements (SBITA)

The Utility has entered into contracts that convey the control of right-to-use information technology software. The Utility has recognized IT subscription liabilities and intangible right-to-use IT subscription assets in the Utility's financial statements. The Utility recognizes IT subscription liabilities with an initial, individual value of \$5,000, or more.

At the commencement of the IT subscription term, the Utility initially measures the subscription liability at the value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by payments made. The right-to-use IT subscription asset is initially measured by the sum of the initial IT subscription liability, adjusted for any payments made at or before the commencement date, plus implementation costs less any incentives received from the SBITA vendor at or before commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

Cash and Investments

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

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) at December 31, 2024 and 2023 were \$310,443 and \$295,525 respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventories

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

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Prepayments

Prepayments represent expenditures for services that have been paid in advance but will be received in the future. The Utility records prepayments for agreements that span one year or more and exceed a minimum dollar threshold. The Utility incurs prepayments for expenditures such as insurance premiums, software subscriptions, and support and maintenance of software and hardware.

Deferred Outflows of Resources

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

Pensions

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

Total OPEB Liability

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

Deferred Inflows of Resources

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

Net Position

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

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2024 and 2023 was as follows:

	2024	2023
Restricted for/by		
Health and Dental Insurance	\$ 347,783	\$ 362,884

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Operating Revenues and Expenses

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

Revenues from the sale of water are based on billing rates, which are applied to customers' consumption of water. The Utility records estimated unbilled revenue at the end of accounting periods. Revenues earned, but not yet billed as of December 31, 2024 and 2023, were \$276,113 and \$237,953, respectively, and are recorded in customer accounts receivable.

Capital Contributions

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. In 2024 and 2023, there were no budget amendments.

Grants

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

Employee Benefits

Utility employees accumulate earned but unused vacation and sick leave hours for subsequent use. The Utility pays 100% of earned vacation hours at the employee's hourly rate upon termination, retirement, or death. A liability has been established for all earned, but unused vacation hours based on pay rates as of December 31. The Utility does not pay for unused sick leave upon termination, retirement, or death. Liabilities have been established for earned, but unused sick leave hours estimated to be used in subsequent periods based on pay rates as of December 31.

Accrued wages represents time employees worked during the calendar year but are unpaid at December 31.

The Water Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay shall apply only to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2024 and 2023, the accrued liability was \$105,828 and \$119,832, respectively.

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Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Reclassifications

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

Special Items

Special Items are significant transactions or other events that are within the control of management that are either:

Unusual in nature - Transactions that possess a high degree of abnormality and is clearly unrelated to typical utility operations.

Infrequent in occurrence - Transactions that are not reasonably expected to recur in the foreseeable future.

Judgement is required to determine which items should be considered Special Items and segregated within the financial statements.

Implementation of GASB Statement No. 101

As of January 1, 2023, the Utility adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The impact to the Utility resulted in the reporting of sick leave liabilities not previously reported and the effect of the implementation of this standard on the beginning net position is disclosed in Note 15.

(2) Restricted Assets

The composition of restricted assets as of December 31, 2024 and 2023 was as follows:

2024	Cash	Investments	Total
Current Assets - Restricted			
Self Insured Dental	\$ 9,547	\$ -	\$ 9,547
Self Insured Medical	387,537	-	387,537
Total Current Assets - Restricted	397,084	-	397,084
Total Restricted Assets	\$ 397,084	\$ -	\$ 397,084

2023	Cash	Investments	Total
Current Assets - Restricted			
Self Insured Dental	\$ 8,247	\$ -	\$ 8,247
Self Insured Medical	387,159	-	387,159
Total Current Assets - Restricted	395,406	-	395,406
Total Restricted Assets	\$ 395,406	\$ -	\$ 395,406

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

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(3) Cash and Investments

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

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

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

Interest Rate Risk

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

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2024 or 2023. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2024 or 2023.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk with regards to investments since all investments were held by the Utility or its agent in the Utility's name.

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(3) Cash and Investments, continued

Reconciliation to Financial Statements

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

	2024	2023
Petty cash	\$ 45	\$ 45
Checking & Sweep	3,948,373	2,756,119
Money markets	2,108,616	2,298,677
Carrying amount of IPAIT	310,443	295,525
Certificates of deposits	1,550,000	1,550,000
Total	<u>\$ 7,917,476</u>	<u>\$ 6,900,366</u>
Current Assets		
Cash and cash equivalents - unrestricted	\$ 5,970,392	\$ 4,954,960
Investments - unrestricted	1,550,000	1,550,000
Current assets unrestricted total	<u>7,520,392</u>	<u>6,504,960</u>
Cash and cash equivalents - restricted	397,084	395,406
Investments - restricted	-	-
Current assets restricted total	<u>397,084</u>	<u>395,406</u>
Total per statement of net position	<u>\$ 7,917,476</u>	<u>\$ 6,900,366</u>

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

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2024 and 2023 follows:

2024	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 63,466	\$ -	\$ -	\$ 63,466
Construction work in progress	291,913	4,529,906	(4,770,803)	51,016
Total capital assets, not being depreciated	355,379	4,529,906	(4,770,803)	114,482
Capital assets, being depreciated/amortized:				
Infrastructure	48,903,983	4,456,817	(293,604)	53,067,196
Buildings and improvements	2,747,567	218,546	(3,918)	2,962,195
Equipment	1,521,343	95,440	(37,792)	1,578,991
Right-to-use leased assets	6,867	-	-	6,867
Right-to-use subscription assets	122,279	2,952	-	125,231
Total capital assets, being depreciated/amortized	53,302,039	4,773,755	(335,314)	57,740,480
Less accumulated depreciation/amortization for:				
Infrastructure	(14,353,417)	(824,419)	293,604	(14,884,232)
Buildings and improvements	(786,163)	(120,293)	3,918	(902,538)
Equipment	(596,846)	(47,202)	37,792	(606,256)
Right-to-use leased assets	(3,936)	(1,478)	-	(5,414)
Right-to-use subscription assets	(50,153)	(29,567)	-	(79,720)
Total accumulated depreciation/amortization	(15,790,515)	(1,022,959)	335,314	(16,478,160)
Total capital assets being depreciated/amortized, net	37,511,524	3,750,796	-	41,262,320
Net capital assets	\$ 37,866,903	\$ 8,280,702	\$ (4,770,803)	\$ 41,376,802

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(4) Capital Assets, continued

2023	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 63,466	\$ -	\$ -	\$ 63,466
Construction work in progress	36,695	3,727,856	(3,472,638)	291,913
Total capital assets, not being depreciated	100,161	3,727,856	(3,472,638)	355,379
Capital assets, being depreciated/amortized:				
Infrastructure	46,144,423	3,272,020	(512,460)	48,903,983
Buildings and improvements	2,750,754	7,783	(10,970)	2,747,567
Equipment	1,448,393	194,851	(121,901)	1,521,343
Right-to-use leased assets	6,867	-	-	6,867
Right-to-use subscription assets	113,044	9,235	-	122,279
Total capital assets, being depreciated/amortized	50,463,481	3,483,889	(645,331)	53,302,039
Less accumulated depreciation/amortization for:				
Infrastructure	(13,946,215)	(919,662)	512,460	(14,353,417)
Buildings and improvements	(735,221)	(61,912)	10,970	(786,163)
Equipment	(664,356)	(54,391)	121,901	(596,846)
Right-to-use leased assets	(2,458)	(1,478)	-	(3,936)
Right-to-use subscription assets	(23,245)	(26,908)	-	(50,153)
Total accumulated depreciation/amortization	(15,371,495)	(1,064,351)	645,331	(15,790,515)
Total capital assets being depreciated/amortized, net	35,091,986	2,419,538	-	37,511,524
Net capital assets	\$ 35,192,147	\$ 6,147,394	\$ (3,472,638)	\$ 37,866,903

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(5) Lease Receivable

The Utility is lessor to multiple leases in which space upon water towers is leased for the placement of telecommunications equipment. The terms of each lease are unique in relation to payment due dates, rent escalation, renewal options, and termination clauses. Leases contain renewal options that allow, at the lessee's option, to continue leasing property under the terms of the original agreement, with rent escalations based on a fixed dollar amount, a fixed percentage, or CPI. The Utility believes with reasonable certainty that all renewal options will be exercised by the lessees in each lease. Termination dates, including the maximum number of renewals, range from 2025 – 2055. During the years ended December 31, 2024 and 2023, the Utility recognized revenue related to these agreements totaling \$427,365 and \$474,489, respectively. Total future minimum lease payments to be received under lessor agreements are as follows:

Fiscal Year Ended	Amount
2025	\$ 415,317
2026	323,503
2027	293,772
2028	297,739
2029	308,371
2030 - 2035	1,184,309
2036 - 2040	1,101,676
Thereafter	631,179
Total	<u>\$ 4,555,866</u>

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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(6) Long-Term Liabilities

Long-term liabilities activity for the years ended December 31, 2024 and 2023 was as follows:

2024	Restated, Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Net pension liability (note 7)	\$ 926,333	\$ 195,480	\$ 340,923	\$ 780,890	
Accrued severance	119,832	3,396	17,400	105,828	
OPEB (note 11)	182,768	9,698	72,644	119,822	
Lease agreements	2,895	-	1,491	1,404	991
Subscription liability	60,438	2,952	31,649	31,741	12,024
Compensated absences *	408,977	-	26,248	382,729	254,151
Total	<u>\$ 1,701,243</u>	<u>\$ 211,526</u>	<u>\$ 490,355</u>	<u>\$ 1,422,414</u>	<u>\$ 267,166</u>

2023 (Restated)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Net pension liability (note 7)	\$ 776,483	\$ 330,039	\$ 180,189	\$ 926,333	
Accrued severance	107,014	17,504	4,686	119,832	
OPEB (note 11)	158,873	40,208	16,313	182,768	
Lease agreements	4,386	-	1,491	2,895	1,491
Subscription liability	78,650	9,236	27,448	60,438	28,697
Compensated absences *	338,318	70,659	-	408,977	264,319
Total	<u>\$ 1,463,724</u>	<u>\$ 467,646</u>	<u>\$ 230,127</u>	<u>\$ 1,701,243</u>	<u>\$ 294,507</u>

* The amounts for compensated absences are net of additions and reductions

Lease Agreements

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

Fiscal Year Ended	Amount
2025	\$ 991
2026	413
Total	<u>\$ 1,404</u>

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(6) Long-Term Liabilities, continued

IT Subscription Liability

The Utility has entered into subscription information technology arrangements for the right-to-use IT software, alone or in conjunction with a tangible capital asset. An IT subscription liability is established at the commencement of the arrangement and is initially measured at the value of the payments expected to be made during the term of the arrangement. Total future minimum IT subscription payments to be paid under IT subscription arrangements are as follows:

Fiscal Year Ended	Amount
2025	\$ 12,024
2026	9,859
2027	9,859
Total	<u>\$ 31,741</u>

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Water Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.com.

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

Plan Benefits

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

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

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

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

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(7) Pension Plan – IPERS, continued

Disability and Death Benefits

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

Contributions

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

In fiscal year 2024 and 2023 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2024 and 2023 were \$192,443 and \$180,966, respectively.

There were no non-employer contributing entities at IPERS.

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(7) Pension Plan – IPERS, continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024 and 2023, the Utility reported a liability of \$780,890 and \$926,333, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all Regular Membership IPERS participating employers. On June 30, 2024, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.021444 percent, which was an increase of 0.000921 percent from its proportion measured as of June 30, 2023 of 0.020523 percent.

For the years ended December 31, 2024 and 2023, the Utility recognized pension expense of \$113,937 and \$113,641, respectively. At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,136	\$ 485	\$ 78,369	\$ 3,808
Changes of assumptions	-	11	-	15
Net difference between projected and actual earnings on pension plan investments	9,767	-	85,790	-
Changes in proportion and differences between Utility's contributions and proportionate share of contributions	28,974	19,366	18,913	25,973
Utility's contributions subsequent to the measurement date	97,570	-	92,247	-
Total	<u>\$ 198,447</u>	<u>\$ 19,862</u>	<u>\$ 275,319</u>	<u>\$ 29,796</u>

Subsequent to the measurement date \$97,570 reported as deferred outflows of resources related to pensions resulting from the Utility's contributions and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2024	2023
December 31, 2025	\$ (97,609)	\$ (67,940)
December 31, 2026	190,335	205,288
December 31, 2027	8,477	32,651
December 31, 2028	(21,891)	3,911
December 31, 2029	1,703	na

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(7) Pension Plan – IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the PubG-2010 Mortality Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Report 2024 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	3.52%
International Equity	13.0%	5.18%
Global smart beta equity	5.0%	4.12%
Core-plus Fixed Income	25.5%	3.04%
Public Credit	3.0%	4.53%
Cash	1.0%	1.69%
Private Equity	17.0%	8.89%
Private Real Assets	9.0%	4.25%
Private Credit	5.5%	6.62%
Total	<u>100%</u>	

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(7) Pension Plan – IPERS, continued

Discount Rate

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

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-24	\$ 1,916,292	\$ 780,890	\$ (169,887)
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-23	\$ 1,969,591	\$ 926,333	\$ 52,066

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At December 31, 2024 and 2023, the Utility reported a payable of \$24,837 and \$21,607, respectively to the defined benefit pension plan for legally required employer contributions and a payable of \$14,148 and \$9,094, respectively for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

(8) Income Tax Status

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

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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December 31, 2024 and 2023

(9) Related Party Transactions

The Utility provides water service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$126,046 and \$137,865 in 2024 and 2023, respectively. The Utility also reimburses the City for water infrastructure project costs. In 2024 and 2023, these costs were \$1,757,282 and \$2,794,842, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2024 to reimburse the Water Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This other receivable, with an outstanding balance of \$881,984 and \$882,310 as of December 31, 2024 and 2023, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources at December 31, 2024 and 2023 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$326 and \$0 in 2024 and 2023, respectively, and is recorded as contributed capital in the statements of revenues, expenses, and changes in net position.

The Utility also provides billing and collection services to the City for the City's sanitary sewer system, storm water reclamation fees, and garbage and refuse service. Revenues from the service provided amounted to \$232,920 in 2024 and \$230,280 in 2023 and are recorded in miscellaneous non-operating revenue.

(10) Risk Management

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

The Utilities maintain a risk management account for risks related to their self-insured medical insurance plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2024 plan year for aggregate medical claims exceeding \$3.4 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual payment of claims incurred prior to year-end. The IBNR estimate is based on the Utilities claims payment history. The Water Utility has a balance of \$30,000 and \$16,300 included in accounts payable for its share of the IBNR claims at December 31, 2024 and 2023, respectively.

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 525 governmental entities participate in the Association as of June 30, 2024. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(10) Risk Management, continued

The following table sets forth summarized financial data of the Association as of and for its years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents and investments	\$ 112,145,244	\$ 106,486,867
Receivables	2,236,160	2,234,566
Other assets	5,060,805	4,268,864
Total assets	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total liabilities	 \$ 38,475,506	 \$ 40,400,076
Total net position	<u>80,966,703</u>	<u>72,590,221</u>
Total liabilities and net position	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total revenues	 \$ 25,882,509	 \$ 22,820,591
Total expenses	<u>17,506,027</u>	<u>19,426,051</u>
Net increase in net position	<u>\$ 8,376,482</u>	<u>\$ 3,394,540</u>

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

(11) Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must meet all the following criteria:

- Be at least 55 by your retirement date.
- Apply for a bona fide retirement and begin to receive IPERS benefits following termination of employment; or is eligible to begin receiving an IPERS monthly pension benefit.
- Be currently enrolled in CFU's insurance plan at the time of election.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

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

OPEB Benefits, continued

Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

At November 1, 2023, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	80
Active members	<u>189</u>
	<u><u>269</u></u>

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,198,233 and \$1,827,687 was measured as of December 31, 2024 and December 31, 2023, respectively, and was determined by an actuarial valuation as of January 1, 2024 and January 1, 2022, respectively.

At December 31, 2024 and 2023, the Utility reported a liability of \$119,822 and \$182,768, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2024)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2024)	4.00%	per annum.
Discount rate		
(effective January 1, 2024)	3.26%	per annum.
Healthcare cost trend rate		
(effective January 1, 2024)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

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

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

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

Changes in the Total OPEB Liability

	2024	2023
	Total OPEB	Total OPEB
	Liability	Liability
Utility's share of total OPEB liability beginning of year	\$ 182,768	\$ 158,873
Changes for the year:		
Changes in Utility's proportion	-	17,654
Service cost	5,839	10,657
Interest	3,859	3,772
Changes of benefit terms	-	-
Difference between expected and actual experiences	(49,516)	8,125
Changes in assumptions	(18,308)	-
Benefit payments	(4,820)	(16,313)
Net changes	<u>(62,946)</u>	<u>23,895</u>
Utility's share of total OPEB liability end of year	<u>\$ 119,822</u>	<u>\$ 182,768</u>

Changes of assumptions reflect a change in the discount rate from 2.06% in fiscal year 2022 to 3.26% in fiscal year 2024.

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

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.26%) or 1% higher (4.26%) than the current discount rate.

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Utility's share of total OPEB liability at December 31, 2024	\$ 131,744	\$ 119,822	\$ 109,465

	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Utility's share of total OPEB liability at December 31, 2023	\$ 200,716	\$ 182,768	\$ 167,076

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

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

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

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

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Utility's share of total OPEB liability at December 31, 2024	\$ 110,826	\$ 119,822	\$ 130,562
Utility's share of total OPEB liability at December 31, 2023	\$ 167,194	\$ 182,768	\$ 201,490

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

At December 31, 2024 and 2023, the Utility recognized OPEB expense of \$10,517 and \$35,530, respectively.

At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,938	\$ 50,490	\$ 25,930	\$ 6,874
Changes in assumptions	17,030	16,531	20,534	-
	<u>\$ 37,968</u>	<u>\$ 67,021</u>	<u>\$ 46,464</u>	<u>\$ 6,874</u>

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

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

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

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

Year-ending December 31,	2024 Amount	2023 Amount
2024	N/A	\$ 7,403
2025	\$ 819	7,403
2026	819	7,403
2027	819	7,403
2028	(4,209)	2,375
2029	(3,639)	2,945
Thereafter	(23,662)	4,658
	<u>\$ (29,053)</u>	<u>\$ 39,590</u>

(12) Commitments and Contingencies

As of December 31, 2024, the Utility engaged in several construction projects scheduled to be completed in 2025 with an estimated cost to complete of \$2,475,000.

(13) Subsequent Events

Subsequent events for the Utility have been evaluated through April 28, 2025, which is the date that the financial statements were available to be issued.

Effective January 1, 2025, the Board of Trustees approved a 9.9% base rate increase.

(14) Special Items

During 2024 the Utility entered into an agreement to purchase and sell capital assets to and from affiliated Utilities. Historically, structural (building) related assets that are used by multiple entities were either owned by the Electric Utility or by the Electric, Gas, and Water Utilities, depending on the type of structure. Rent was charged to the Water Utility, dependent on ownership percentages and building usage. The purchase and sale of capital assets reallocates the ownership percentages for each Utility and eliminates future rent income.

This transaction was valued at fair value and resulted in a one-time expense of \$68,761 over the net book value of assets sold. The Utility paid \$151,775 as a result of the transaction.

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, was implemented during 2024. The standard requires recognition of certain compensation absence related liabilities that were previously unrecognized. It requires that a liability be recognized for unused leave that (a) is attributed to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As a result of adopting GASB Statement No. 101, *Compensated Absences*, in fiscal year 2024, the beginning net position was restated to retroactively report the change in value of liabilities as follows:

Net position December 31, 2022, as previously reported	\$	41,884,213
Add short term sick leave liability under GASB No. 101 at December 31, 2022		(87,493)
Add long term sick leave liability under GASB No. 101 at December 31, 2022		<u>(130,619)</u>
Net position January 1, 2023, as restated	\$	<u><u>41,666,101</u></u>

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Utility's proportion of the net pension liability (asset)	0.021444%	0.020523%	0.020552%	-0.008180%	0.020494%
Utility's proportionate share of the net pension liability	\$ 780,890	\$ 926,333	\$ 776,483	\$ 28,238	\$ 1,439,658
Utility's Covered payroll	\$ 1,982,188	\$ 1,798,066	\$ 1,654,447	\$ 1,634,886	\$ 1,625,799
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	39.40%	51.52%	46.93%	1.73%	88.55%
Plan fiduciary net position as a percentage of the total pension liability	92.30%	90.13%	91.40%	100.81%	82.90%
	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability (asset)	0.020078%	0.019197%	0.019373%	0.020227%	0.020075%
Utility's proportionate share of the net pension liability	\$ 1,162,652	\$ 1,214,860	\$ 1,290,460	\$ 1,272,933	\$ 991,800
Utility's Covered payroll	\$ 1,528,017	\$ 1,443,438	\$ 1,446,072	\$ 1,451,546	\$ 1,375,318
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.16%	89.24%	87.69%	72.11%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

* The amounts presented for each fiscal year were determined as of June 30

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 192,443	\$ 180,996	\$ 161,813	\$ 152,789	\$ 156,881
Contributions in relation to the statutorily required contribution	<u>(192,443)</u>	<u>(180,996)</u>	<u>(161,813)</u>	<u>(152,789)</u>	<u>(156,881)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,038,591	\$ 1,917,333	\$ 1,714,116	\$ 1,618,531	\$ 1,661,876
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 147,397	\$ 138,638	\$ 127,355	\$ 128,351	\$ 122,107
Contributions in relation to the statutorily required contribution	<u>(147,397)</u>	<u>(138,638)</u>	<u>(127,355)</u>	<u>(128,351)</u>	<u>(122,107)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 1,561,414	\$ 1,509,942	\$ 1,426,144	\$ 1,437,302	\$ 1,367,383
Contributions as a percentage of covered payroll	9.44%	9.18%	8.93%	8.93%	8.93%

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

Notes to Required Supplemental Information
Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant change in benefit terms.

Changes of Assumptions

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

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

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

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

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

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

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Changes in Utility's proportion	\$ -	\$ 17,654	\$ -	\$ -	\$ -
Service cost	5,839	10,657	9,222	7,429	7,143
Interest	3,859	3,772	3,287	4,158	4,153
Changes of benefit terms	-	-	1,634	-	-
Difference between expected and actual experiences	(49,516)	8,125	(3,716)	5,489	(1,147)
Changes in assumptions	(18,308)	-	10,005	-	8,728
Benefit payments	(4,820)	(16,313)	(12,191)	(16,074)	(8,503)
Net change in Utility's share of total OPEB liability	(62,946)	23,895	8,241	1,002	10,374
Utility's share of total OPEB liability beginning of year	182,768	158,873	150,632	149,630	139,256
Utility's share of total OPEB liability end of year	\$ 119,822	\$ 182,768	\$ 158,873	\$ 150,632	\$ 149,630
Covered-employee payroll	\$ 1,926,911	\$ 1,736,306	\$ 1,645,268	\$ 1,558,909	\$ 1,509,079
Utility's share of total OPEB liability as a percentage of covered-employee payroll	6.22%	10.53%	9.66%	9.66%	9.92%

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

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

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

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2024	2023	2022	2021	2020
Discount Rate Used	3.26%	2.06%	2.06%	2.74%	2.74%

MUNICIPAL WATER UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2019	2018
Changes in Utility's proportion	\$ -	\$ -
Service cost	5,800	5,576
Interest	4,781	4,727
Changes of benefit terms	-	-
Difference between expected and actual experiences	(3,836)	32,256
Changes in assumptions	-	13,001
Benefit payments	(5,199)	(13,407)
Net change in Utility's share of total OPEB liability	1,546	42,153
Utility's share of total OPEB liability beginning of year	137,710	95,557
Utility's share of total OPEB liability end of year	\$ 139,256	\$ 137,710
Covered-employee payroll	\$ 1,481,674	\$ 1,441,494
Utility's share of total OPEB liability as a percentage of covered-employee payroll	9.40%	9.55%

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2019	2018
Discount Rate Used	3.44%	3.44%



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Municipal Water Utility of the City of Cedar Falls, Iowa (Municipal Water Utility), as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Water Utility's basic financial statements and have issued our report thereon dated April 28, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 were not identified.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Municipal Water Utility's operations for the year ended December 31, 2024, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Water Utility and are reported in Part III of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
April 28, 2025

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 2024.

Part III: Other Findings Related to Required Statutory Reporting:

2024-IA-A	Certified Budget – Disbursements during the year ended December 31, 2024, did not exceed the amount budgeted.
2024-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.
2024-IA-C	Travel Expense – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
2024-IA-D	Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
2024-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.
2024-IA-F	Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
2024-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.
2024-IA-H	Revenue Bonds – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
2024-IA-I	Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
2024-IA-J	Restricted Donor Activity – No transactions were noted between the Utility and Utility Officials, Utility employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.



Cedar Falls Utilities

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

Including Independent Auditors' Reports

For The Years Ended December 31, 2024 and 2023

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Municipal Communications Utility of the City of Cedar Falls, Iowa (Municipal Communications Utility), a component unit of the City of Cedar Falls, Iowa, as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Communications Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Communications Utility, as of December 31, 2024 and 2023, the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the Municipal Communications Utility has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Accordingly, a restatement has been made to the Municipal Communications Utility's net position as of January 1, 2023. In accordance with GASB Statement No. 101, the financial statements as of and for the year then ended December 31, 2023, 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 Municipal Communications Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025, on our consideration of the Municipal Communications Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Communications Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Communications Utility's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, IA
April 28, 2025

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
December 31, 2024 and 2023
Unaudited

The following financial analysis and condensed statements of the Municipal Communications Utility (Utility) of the City of Cedar Falls, Iowa's financial performance provides an overview of the Utility's financial activities for the years ended December 31, 2024 and 2023. The report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Please read in conjunction with the financial statements and the accompanying notes to the financial statements that follow this section. Any questions regarding this report or desiring additional information should be addressed to Cedar Falls Utilities, 1 Utility Parkway, PO Box 769, Cedar Falls, IA 50613 or by phone at 319-266-1761.

Overview of the Financial Statements

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

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

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

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

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

The Utility adopted GASB 96 effective January 1, 2023. Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, defines SBITAs and requires recognition of certain right-to-use subscription assets and liabilities that were previously classified as outflows of resources or prepayments. Beginning fiscal year 2022 net position was retroactively restated to include SBITA assets and liabilities.

The Utility adopted GASB 101 effective January 1, 2024. Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Beginning fiscal year 2023 net position was retroactively restated to include sick leave related liabilities. The effect of implementation on net position is detailed in Note 15.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
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Unaudited

Utility Financial Analysis

Condensed Statement of Net Position

	2024	2023	2024	2022	2023
		(Restated)	Change	(Not Restated)	Change
Current Assets	\$ 29,574,455	\$ 29,637,872	(63,417)	\$ 26,012,039	3,625,833
Noncurrent Assets	330,677	349,112	(18,435)	181,648	167,464
Net Capital Assets	36,728,550	31,095,779	5,632,771	29,321,330	1,774,449
Deferred outflows of resources	494,224	677,856	(183,632)	406,723	271,133
Total Assets and Deferred Outflows of Resources	\$ 67,127,906	\$ 61,760,619	5,367,287	\$ 55,921,740	5,838,879
Current Liabilities	1,915,077	2,740,190	(825,113)	2,335,961	404,229
Noncurrent Liabilities	2,635,707	3,346,225	(710,518)	2,840,890	505,335
Deferred Inflows of Resources	1,088,048	1,049,001	39,047	1,094,390	(45,389)
Total Liabilities and Deferred Inflows of Resources	5,638,832	7,135,416	(1,496,584)	6,271,241	864,175
Net Position					
Net Investment in Capital Assets	36,183,718	30,358,570	5,825,148	28,584,320	1,774,250
Restricted	638,960	675,628	(36,668)	635,263	40,365
Unrestricted	24,666,396	23,591,005	1,075,391	20,430,916	3,160,089
Total Net Position	61,489,074	54,625,203	6,863,871	49,650,499	4,974,704
Total liabilities, deferred inflows and net position	\$ 67,127,906	\$ 61,760,619	5,367,287	\$ 55,921,740	5,838,879

2024 Compared to 2023, significant changes include:

- ❖ Current Assets:
 - Decrease in cash primarily due to an increase in capital asset spending and more investments held at year end. For sources and usage of cash see the Statement of Cash Flows.
 - Increase in unrestricted investments due to more investments held at year end.
 - Decrease in materials and supplies primarily driven by reduction in inventory associated with the Empower Rural Iowa Broadband Grant Program. Construction activities related to this grant will conclude in 2025.
 - An increase in governmental grant receivables due to more work being completed for the Empower Rural Iowa Broadband Grant Program.
- ❖ Net Capital Assets increased due to higher capital asset expenditures. See Note 4 – Capital Assets. Capital Assets also increased due to an intercompany transfer of assets. See Note 14 – Special Items.
- ❖ Current Liabilities decreased due to a decrease in accounts payable from the timing of year end payments.
- ❖ Noncurrent Liabilities decreased primarily due to a decrease in net pension liability. See Note 7 – Pension Plan – IPERS.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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2023 Compared to 2022, significant changes include:

- ❖ Current Assets:
 - Increase in cash of \$5.1 million due to a decrease in cash paid to suppliers, an increase in interest revenue, and a decrease of \$2.5 million in investments held at year end.
 - Increase of \$676,000 in Accounts Receivable – Trade primarily due the sale of capital assets at year end.
 - Increase of \$556,000 in Accounts Receivable – Government Grants due to work being completed related to the Empower Rural Iowa Broadband Grant Program.
- ❖ Net Capital Assets increased due to capital additions. See Note 4 – Capital Assets.
- ❖ Noncurrent Liabilities increased primarily due to an increase in net pension liability. See Note 7 – Pension Plan – IPERS.

Condensed Revenues, Expenses and Changes in Net Position

	2024	2023 (Restated)	2024 Change	2022 (Not Restated)	2023 Change
Cable System Revenues	\$ 8,201,674	\$ 8,472,727	(271,053)	\$ 8,899,665	(426,938)
Data System Revenues	13,932,413	13,392,763	539,650	13,106,100	286,663
Other	272,699	299,458	(26,759)	245,692	53,766
Total Operating Revenues	22,406,786	22,164,948	241,838	22,251,457	(86,509)
Operation & Maintenance	9,920,101	10,227,699	(307,598)	10,653,763	(426,064)
Depreciation and Amortization	2,530,072	4,168,457	(1,638,385)	4,002,446	166,011
Sales, Customer Service, Corporate Operations	4,431,664	4,237,055	194,609	3,555,080	681,975
Total Operating Expenses	16,881,837	18,633,211	(1,751,374)	18,211,289	421,922
Total Non-Operating Revenues (Expenses)	2,127,135	1,783,034	344,101	1,133,419	649,615
Special Item Revenue (Expense)	(788,213)	-	(788,213)	-	-
Change in Net Position	6,863,871	5,314,771	1,549,100	5,173,587	141,184
Net Position, Beginning of Year, as Restated	54,625,203	49,310,432	5,314,771	44,476,912	4,833,520
Net Position, End of Year	\$ 61,489,074	\$ 54,625,203	6,863,871	\$ 49,650,499	4,974,704

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
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Unaudited

2024 Compared to 2023, significant changes include:

- ❖ Cable system revenues decreased from the decrease of 365 subscribers. Some revenue decrease from subscriber loss was offset by cable rate increases.
- ❖ Data system revenues increased due to an increase in overall subscribers and subscribers moving to higher service tiers.
- ❖ Total operating expenses decreased due to:
 - A decrease in depreciation expense after a reduction in depreciation rates as a result of a 2023 depreciation study.
 - A reduction in building related expenses, primarily due to a decrease in intercompany rent. Assets previously subject to rent were purchased by the Utility. See Note 14 – Special Items.
 - A reduction in programming related expenses due to a reduction in subscribers.
- ❖ Non-operating revenue (expense) increased primarily due to more interest revenue from more investments held during the year and more grant revenue recognized for the Empower Rural Iowa Broadband Grant Program.

2023 Compared to 2022, significant changes include:

- ❖ Cable system revenues decreased due a decrease of 546 subscribers. Some revenue decrease from subscriber loss was offset by cable rate increases.
- ❖ Data system revenues increased due to an increase in overall subscribers and subscribers moving to higher data tiers.
- ❖ Total operating expenses increased due to:
 - An increase of \$166,000 in depreciation expense due to capital asset additions. See Note 4 – Capital Assets
 - A decrease of \$642,000 of customer premise wiring expense due to less projects at customer sites.
 - A decrease of \$278,000 in cable programing expenses due to decreased subscriber counts.
 - An increase in pension expense of \$290,000. See Note 7 – Pension Plan – IPERS.
 - Increases in Sales, Customer Service, and Corporate Operations is due to several reasons, including percentage increases of costs that are allocated among all Utilities and increases in payroll and benefits.

Condensed Statement of Cash Flows

	2024	2023	2024 Change	2022	2023 Change
Cash Flows from					
Operating Activities	\$ 8,529,228	\$ 8,052,004	477,224	\$ 6,348,364	1,703,640
Capital and Related Financing Activities	(9,111,174)	(6,253,225)	(2,857,949)	(6,469,735)	216,510
Investing Activities	(560,832)	3,315,187	(3,876,019)	(5,779,475)	9,094,662
Net Change in Cash and Cash Equivalents	(1,142,778)	5,113,966	(6,256,744)	(5,900,846)	11,014,812
Cash and Cash Equivalents - Beginning of Year	17,442,093	12,328,127	5,113,966	18,228,973	(5,900,846)
Cash and Cash Equivalents - End of Year	\$ 16,299,315	\$ 17,442,093	(1,142,778)	\$ 12,328,127	5,113,966

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Management Discussion and Analysis
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Unaudited

2024 Compared to 2023:

- ❖ Cash inflows from operating activities increased primarily due to increases in operating revenues. Data operating revenues increased due to an increase in subscribers and customers subscribing to higher tiers of service. Less cash was paid to suppliers as less was spent on materials and supplies as well as programming costs.
- ❖ Cash outflows from capital and related activities increased, primarily due to purchasing intercompany assets. See Note 14 – Special Items.
- ❖ Cash outflows from investing activities increased due to more investments purchased during the year.

2023 Compared to 2022:

- ❖ Cash inflows from operating activities increased \$1.7 million. Decreases in inventory purchases and less programming costs are the largest contributors to this increase.
- ❖ Cash flows from investing activities increased \$9.1 million due to less purchases of investments and higher interest revenue.

Utility Capital Assets Activity

On December 31, 2024, the Utility had \$36.7 million in capital assets, net of accumulated depreciation/amortization, as detailed in Note 4 to the financial statements. Each year the Utility has capital improvement activities related to the installation of fiber optic conduit and cabling, optical network terminals, equipment located at customer premises, and other equipment that supports the delivery of cable tv, internet, and landline phone services.

A summary of capital asset activity for the years ended December 31, 2024 (rounded) follows:

	Increases	Decreases
Terminal Equipment	\$ 1,103,000	\$ (630,000)
Headend Equipment	457,000	(327,000)
Cabling	2,950,000	(122,000)
Conduit	166,000	(15,000)
Customer Premise	47,000	(52,000)
Intangibles	89,000	(214,000)
General	5,420,000	(31,000)
Right-to-Use Related	20,000	(86,000)
Total capital assets, being depreciated/amortized	\$ 10,252,000	\$ (1,477,000)

Utility Debt Activity

There are no debt holdings for 2024 and 2023.

Utility Changes to Future Financial Statements

Effective January 1, 2025, the Board of Trustees approved a per subscriber rate increase for Basic TV of \$3.00 and removed the \$5 cable discount for multi-service subscriber.

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

Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Assets		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 15,568,704	\$ 16,704,937
Cash and cash equivalents - restricted	730,611	737,156
Investments - unrestricted	6,000,000	4,500,000
Receivables:		
Customer accounts, less allowance for doubtful accounts of \$19,400 in 2024 and \$16,800 in 2023	2,405,150	2,302,826
Interest	166,845	99,939
Government grants	2,338,337	1,468,305
Trade	497,785	940,793
Lease	51,003	46,647
Material and supplies	1,331,410	2,349,638
Prepayments and other	484,610	487,631
Total current assets	<u>29,574,455</u>	<u>29,637,872</u>
Noncurrent assets:		
Lease receivable	74,264	105,591
TIF related	256,413	243,521
Total noncurrent assets	<u>330,677</u>	<u>349,112</u>
Capital assets:		
Capital assets, in service	60,332,827	51,557,435
Less accumulated depreciation / amortization	23,883,419	21,155,660
Net capital assets in service	36,449,408	30,401,775
Construction work in progress	279,142	694,004
Net capital assets	<u>36,728,550</u>	<u>31,095,779</u>
Total assets	66,633,682	61,082,763
Deferred outflows of resources		
Pension related	414,461	575,598
OPEB related	79,763	102,258
Total deferred outflows of resources	<u>494,224</u>	<u>677,856</u>
Total assets and deferred outflows of resources	<u>\$ 67,127,906</u>	<u>\$ 61,760,619</u>

See accompanying notes to financial statements.

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

Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,135,181	\$ 1,853,125
Accrued wages and compensated absences	477,046	561,832
Other accrued liabilities	120,132	122,029
Lease and subscription agreements	182,718	203,204
Total current liabilities	<u>1,915,077</u>	<u>2,740,190</u>
Noncurrent liabilities:		
Lease and subscription agreements	362,114	534,006
Other liabilities	662,707	860,144
Net pension liability	1,610,886	1,952,075
Total noncurrent liabilities	<u>2,635,707</u>	<u>3,346,225</u>
Total liabilities	<u>4,550,784</u>	<u>6,086,415</u>
Deferred inflows of resources		
Lease related	649,889	727,577
OPEB related	140,772	15,116
Pension related	40,974	62,787
TIF related	256,413	243,521
Total deferred inflows of resources	<u>1,088,048</u>	<u>1,049,001</u>
Total liabilities and deferred inflows of resources	5,638,832	7,135,416
Net Position		
Net investment in capital assets	36,183,718	30,358,570
Restricted	638,960	675,628
Unrestricted	24,666,396	23,591,005
Total net position	<u>61,489,074</u>	<u>54,625,203</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 67,127,906</u>	<u>\$ 61,760,619</u>

See accompanying notes to financial statements.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Revenues, Expenses and Changes in Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Operating revenues:		
Cable system revenues	\$ 8,201,674	\$ 8,472,727
Data services revenue	11,902,265	11,476,984
Voice services (telephone) revenue	888,649	931,079
Network access revenue	362,917	296,215
Local private line revenue	778,582	688,485
Other operating income	272,699	299,458
Total operating revenues	<u>22,406,786</u>	<u>22,164,948</u>
Operating expenses:		
Plant specific and programming	8,094,772	8,265,651
Depreciation	2,530,072	4,168,457
Plant nonspecific	1,825,329	1,962,048
Customer operations	1,110,554	1,033,205
Sales	354,381	358,870
Corporate operations	2,966,729	2,844,980
Total operating expenses	<u>16,881,837</u>	<u>18,633,211</u>
Operating income	<u>5,524,949</u>	<u>3,531,737</u>
Non-operating revenues (expenses):		
Interest income	1,006,074	895,322
Miscellaneous revenue (expense), net	106,640	131,108
Intergovernmental grant funds	870,031	556,187
AFUDC	67,273	166,813
Contributed capital	77,117	33,604
Total non-operating revenues (expenses)	<u>2,127,135</u>	<u>1,783,034</u>
Special Item - Intercompany asset sale expense	(788,213)	-
Change in net position	6,863,871	5,314,771
Net position, beginning of year, as previously reported		49,650,499
Adjustments (Note 15)		<u>(340,067)</u>
Net position, beginning of year, as restated	<u>54,625,203</u>	<u>49,310,432</u>
Net position, end of year	<u>\$ 61,489,074</u>	<u>\$ 54,625,203</u>

See accompanying notes to financial statements.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 22,415,297	\$ 22,174,225
Cash paid to suppliers	(11,479,399)	(11,727,001)
Cash paid to employees	(2,406,670)	(2,365,220)
Payment in lieu of taxes to the City of Cedar Falls	<u>-</u>	<u>(30,000)</u>
Net cash provided by operating activities	<u>8,529,228</u>	<u>8,052,004</u>
Acquisition, construction and removal cost of capital assets	(9,782,957)	(6,440,332)
Proceeds from sale of capital assets	594,667	153,503
Reimbursement of utility construction costs	<u>77,117</u>	<u>33,604</u>
Net cash used in capital and related financing activities	<u>(9,111,174)</u>	<u>(6,253,225)</u>
Cash flows from investing activities:		
Proceeds from maturities of investment securities	4,500,000	7,085,855
Purchase of investment securities	(6,000,000)	(4,500,000)
Interest received	<u>939,168</u>	<u>729,332</u>
Net cash provided by / (used in) investing activities	<u>(560,832)</u>	<u>3,315,187</u>
Net increase / (decrease) in cash and cash equivalents	(1,142,778)	5,113,966
Cash and cash equivalents, beginning of year	<u>17,442,093</u>	<u>12,328,127</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,299,315</u></u>	<u><u>\$ 17,442,093</u></u>

See accompanying notes to financial statements.

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

Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 5,524,949	\$ 3,531,737
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of capital assets	2,530,072	4,168,457
Other income (expense), net	106,640	131,109
(Increase) decrease in accounts receivable	(30,822)	(51,599)
(Increase) decrease in lease receivable	(50,717)	(54,568)
(Increase) decrease in inventories	1,018,228	232,573
(Increase) decrease in prepayments and other	24,917	66,366
Increase (decrease) in accounts payable	(237,372)	95,354
Increase (decrease) in accrued wages and compensated absences	(90,371)	42,677
Increase (decrease) in other accrued expenses	(214,848)	(88,105)
Increase (decrease) in other liabilities	<u>(51,448)</u>	<u>(21,997)</u>
Net cash provided by operating activities	<u>\$ 8,529,228</u>	<u>\$ 8,052,004</u>
Schedule of noncash investing, capital and financing activities:		
AFUDC	67,273	166,813
Reconciliation of cash and cash equivalents to statement of net position accounts:		
Cash and cash equivalents - unrestricted	\$ 15,568,704	\$ 16,704,937
Cash and cash equivalents - restricted	<u>730,611</u>	<u>737,156</u>
Cash and cash equivalents	<u>\$ 16,299,315</u>	<u>\$ 17,442,093</u>

See accompanying notes to financial statements.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies

Organization and Basis of Accounting

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

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

Capital Assets and Depreciation

Capital assets are stated at original cost (except for intangible right-to-use lease and SBITA assets, the measurement of which is discussed under “Leases” and “Subscription-Based Information Technology Arrangements” below), including an allowance for funds used during construction. The allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes. AFUDC was capitalized on utility construction at a rate of 4.03% in 2024 and 3.97% in 2023. Depreciation of capital assets in service is calculated on a composite straight-line method at rates based on estimated service lives and salvage values of several classes of capital assets. The range of estimated service lives for the classes of capital assets are as follows: infrastructure – 12 to 48 years and equipment – 6 to 12 years. The depreciation provisions were equivalent to an overall composite rate of 4.8% of depreciable assets for 2024 and 8.1% for 2023.

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

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

Leases

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

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

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

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

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December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Leases, continued

Utility as Lessor: The Utility is a lessor for several noncancellable lease agreements. The Utility has recognized a lease receivable and a deferred inflow of resources in the Utility's financial statements.

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

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

Subscription-Based Information Technology Arrangements (SBITA)

The Utility has entered into contracts that convey the control of right-to-use information technology software. The Utility has recognized IT subscription liabilities and intangible right-to-use IT subscription assets in the Utility's financial statements. The Utility recognizes IT subscription liabilities with an initial, individual value of \$5,000, or more.

At the commencement of the IT subscription term, the Utility initially measures the subscription liability at the value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by payments made. The right-to-use IT subscription asset is initially measured by the sum of the initial IT subscription liability, adjusted for any payments made at or before the commencement date, plus implementation costs less any incentives received from the SBITA vendor at or before commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

Cash and Investments

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

The Utility considers all highly liquid investments with maturity of three months or less at purchase to be cash equivalents for purposes of the statements of cash flows. Amounts invested in the Iowa Public Agency Investment Trust (IPAIT) as December 31, 2024 and 2023 were \$403,786 and \$384,383, respectively, and are included in cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventories

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

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(1) Summary of Significant Accounting Policies, continued

Prepayments

Prepayments represent expenditures for services that have been paid in advance but will be received in the future. The Utility records prepayments for agreements that span one year or more and exceed a minimum dollar threshold. The Utility incurs prepayments for expenditures such as insurance premiums, software subscriptions, and support and maintenance of software and hardware.

Deferred Outflows of Resources

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

Pensions

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

Total OPEB Liability

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

Deferred Inflows of Resources

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

Net Position

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

The Utility's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The composition of restricted net position as of December 31, 2024 and 2023 was as follows:

	2024	2023
Restricted for/by		
Health and Dental Insurance	\$ 638,960	\$ 675,628

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Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

Operating Revenues and Expenses

Operating revenues include revenues resulting from the sale of products and services. Operating expenses include expenses for plant specific and programming, depreciation, plant nonspecific, customer operations, sales, and corporate operations. Non-operating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities and investing activities.

Revenues are based on billing rates, which are applied to customers' consumption of communications services. The Utility records estimated unbilled revenue at the end of accounting periods. Revenues earned, but not billed at December 31, 2024 and 2023, were \$755,393 and \$731,489, respectively and are recorded in customer accounts receivable.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on the total of all four utilities as a whole. In 2024 and 2023, there were no budget amendments.

Grants

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

Employee Benefits

Utility employees accumulate earned but unused vacation and sick leave hours for subsequent use. The Utility pays 100% of earned vacation hours at the employee's hourly rate upon termination, retirement, or death. A liability has been established for all earned, but unused vacation hours based on pay rates as of December 31. The Utility does not pay for unused sick leave upon termination, retirement, or death. Liabilities have been established for earned, but unused sick leave hours estimated to be used in subsequent periods based on pay rates as of December 31.

Accrued wages represents time employees worked during the calendar year but are unpaid at December 31.

The Communications Utility provides retirement severance pay to qualifying full-time employees upon death or retirement. Retirement severance pay will be credited at the rate of two days per year of continuous service, with a minimum of twenty years of continuous service needed to qualify. The retirement severance pay shall apply only to regular full-time employees hired prior to July 1, 2007. Employees hired after that date are not entitled to the benefit. As of December 31, 2024 and 2023, the accrued liability was \$222,239 and \$263,630, respectively.

Reclassifications

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

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(1) Summary of Significant Accounting Policies, continued

Special Items

Special Items are significant transactions or other events that are within the control of management that are either:

Unusual in nature - Transactions that possess a high degree of abnormality and is clearly unrelated to typical utility operations.

Infrequent in occurrence - Transactions that are not reasonably expected to recur in the foreseeable future.

Judgement is required to determine which items should be considered Special Items and segregated within the financial statements.

Implementation of GASB Statement No. 101

As of January 1, 2023, the Utility adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The impact to the Utility resulted in the reporting of sick leave liabilities not previously reported and the effect of the implementation of this standard on the beginning net position is disclosed in Note 15.

(2) Restricted Assets

The composition of restricted assets as of December 31, 2024 and 2023 was as follows:

2024	Cash	Investments	Total
Current Assets - Restricted			
Self Insured Dental	\$ 17,741	\$ -	\$ 17,741
Self Insured Medical	712,870	-	712,870
Total Current Assets - Restricted	730,611	-	730,611
Total Restricted Assets	\$ 730,611	\$ -	\$ 730,611

2023	Cash	Investments	Total
Current Assets - Restricted			
Self Insured Dental	\$ 15,168	\$ -	\$ 15,168
Self Insured Medical	721,988	-	721,988
Total Current Assets - Restricted	737,156	-	737,156
Total Restricted Assets	\$ 737,156	\$ -	\$ 737,156

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

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(3) Cash and Investments

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

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

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

Interest Rate Risk

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

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2024 or 2023. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk

The Utility's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Utility held no such investments during 2024 or 2023.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utility had no custodial risk with regards to investments since all investments were held by the Utility or its agent in the Utility's name.

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Notes to Financial Statements
December 31, 2024 and 2023

(3) Cash and Investments, continued

Reconciliation to Financial Statements

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

	2024	2023
Petty cash	\$ 60	\$ 60
Checking & Sweep	11,144,589	11,172,867
Money markets	4,750,880	5,884,783
Carrying amount of IPAIT	403,786	384,383
Certificates of deposits	6,000,000	4,500,000
Total	<u>\$ 22,299,315</u>	<u>\$ 21,942,093</u>
Current Assets		
Cash and cash equivalents - unrestricted	\$ 15,568,704	\$ 16,704,937
Investments - unrestricted	6,000,000	4,500,000
Current assets unrestricted total	<u>21,568,704</u>	<u>21,204,937</u>
Cash and cash equivalents - restricted	730,611	737,156
Current assets restricted total	<u>730,611</u>	<u>737,156</u>
Total per statement of net position	<u>\$ 22,299,315</u>	<u>\$ 21,942,093</u>

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

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Notes to Financial Statements
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(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2024 and 2023 follows:

2024	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,177	\$ -	\$ -	\$ 2,177
Construction work in progress	694,004	9,817,788	(10,232,650)	279,142
Total capital assets, not being depreciated	696,181	9,817,788	(10,232,650)	281,319
Capital assets, being depreciated/amortized:				
Infrastructure	27,632,826	3,116,367	(136,816)	30,612,377
Buildings and improvements	-	5,277,689	(8,227)	5,269,462
Equipment	22,699,710	1,838,594	(1,246,141)	23,292,163
Right-to-use leased assets	726,696	13,627	(68,381)	671,942
Right-to-use subscription assets	496,026	6,199	(17,519)	484,706
Total capital assets, being depreciated/amortized	51,555,258	10,252,476	(1,477,084)	60,330,650
Less accumulated depreciation/amortization for:				
Infrastructure	(7,571,142)	(729,334)	136,816	(8,163,660)
Buildings and improvements	-	(1,253,480)	8,227	(1,245,253)
Equipment	(13,156,106)	(2,153,050)	1,392,429	(13,916,727)
Right-to-use leased assets	(258,931)	(120,524)	68,381	(311,074)
Right-to-use subscription assets	(169,481)	(94,743)	17,519	(246,705)
Total accumulated depreciation/amortization	(21,155,660)	(4,351,131)	1,623,372	(23,883,419)
Total capital assets being depreciated/amortized, net	30,399,598	5,901,345	146,288	36,447,231
Net capital assets	\$ 31,095,779	\$ 15,719,133	\$(10,086,362)	\$ 36,728,550

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA

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Notes to Financial Statements

December 31, 2024 and 2023

(4) Capital Assets, continued

2023	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,177	\$ -	\$ -	\$ 2,177
Construction work in progress	2,534,448	6,706,259	(8,546,703)	694,004
Total capital assets, not being depreciated	2,536,625	6,706,259	(8,546,703)	696,181
Capital assets, being depreciated/amortized:				
Infrastructure	21,350,671	6,461,418	(179,263)	27,632,826
Equipment	24,795,813	2,085,287	(4,181,390)	22,699,710
Right-to-use leased assets	570,339	156,357	-	726,696
Right-to-use subscription assets	475,628	20,398	-	496,026
Total capital assets, being depreciated/amortized	47,192,451	8,723,460	(4,360,653)	51,555,258
Less accumulated depreciation/amortization for:				
Infrastructure	(6,881,707)	(868,698)	179,263	(7,571,142)
Equipment	(13,274,400)	(4,063,096)	4,181,390	(13,156,106)
Right-to-use leased assets	(177,935)	(80,996)	-	(258,931)
Right-to-use subscription asset	(73,704)	(95,777)	-	(169,481)
Total accumulated depreciation/amortization	(20,407,746)	(5,108,567)	4,360,653	(21,155,660)
Total capital assets being depreciated/amortized, net	26,784,705	3,614,893	-	30,399,598
Net capital assets	\$ 29,321,330	\$ 10,321,152	\$ (8,546,703)	\$ 31,095,779

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Notes to Financial Statements
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(5) Lease Receivable

The Utility is lessor to multiple sublease agreements in which colocation space and cabling is leased to other internet providers. The sublease term for each lease was measured by using the lease term of the underlying leased asset. Termination dates for all leases range from 2026 – 2037. Rent payments are received based on actual cost of leasing the underlying facilities. Lease receivables were established using the facts known at the implementation date of GASB Statement No. 87 or at the commencement of the lease. Variable rent related to these agreements will be recorded as an inflow of resources in the period received. During the years ended December 31, 2024 and 2023, the Utility recognized revenue related to these agreements totaling \$39,145 and \$39,688, respectively.

The Utility is lessor to multiple lease agreements in which fiber optic cabling is leased to other data providers. These agreements typically include constructing infrastructure with another entity contributing to the cost in exchange for the right to use a portion of the completed asset for a period of time specified in the lease. The Utility continues to own and maintain the assets during and after termination of the lease. Payments for construction of assets are received after construction is completed and revenue is recognized over the term of the lease. Termination dates for all dark fiber leases range from 2025 – 2040. During the years ended December 31, 2024 and 2023, the Utility recognized revenue related to these agreements totaling \$56,552 and \$59,307, respectively.

The Utility is lessor to one agreement for the lease of underground communications conduit. The initial term of this lease is 10 years and ends in 2032, with successive 1-year terms available. During the years ended December 31, 2024 and 2023, the Utility recognized revenue related to these agreements totaling \$3,924 and \$3,924, respectively.

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

Fiscal Year Ended	Amount
2025	\$ 51,003
2026	21,759
2027	14,312
2028	6,024
2029	6,024
2030 - 2035	21,945
Thereafter	4,200
Total	<u>\$ 125,267</u>

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements

December 31, 2024 and 2023

(6) Long-Term Liabilities

Long-term liabilities activity for the years ended December 31, 2024 and 2023 was as follows:

2024	Restated, Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Net pension liability (note 7)	\$ 1,952,075	\$ 362,096	\$ 703,285	\$ 1,610,886	
Accrued severance	263,630	-	41,391	222,239	
OPEB (note 11)	402,090	20,366	170,827	251,629	
Lease agreements	469,194	27,700	134,214	362,680	118,825
Subscription liability	268,016	6,199	92,063	182,152	63,893
Compensated absences *	573,245	43,164	-	616,409	427,570
Total	<u>\$ 3,928,250</u>	<u>\$ 459,525</u>	<u>\$ 1,141,780</u>	<u>\$ 3,245,995</u>	<u>\$ 610,288</u>

2023 (Restated)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Net pension liability (note 7)	\$ 1,641,441	\$ 690,348	\$ 379,714	\$ 1,952,075	
Accrued severance	249,700	20,373	6,443	263,630	
OPEB (note 11)	370,708	67,308	35,926	402,090	
Lease agreements	392,452	196,047	119,305	469,194	117,341
Subscription liability	344,559	20,397	96,940	268,016	85,863
Compensated absences *	547,471	25,774	-	573,245	378,821
Total	<u>\$ 3,546,331</u>	<u>\$ 1,020,247</u>	<u>\$ 638,328</u>	<u>\$ 3,928,250</u>	<u>\$ 582,025</u>

* The amounts for compensated absences are net of additions and reductions

Lease Agreements

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

Fiscal Year Ended	Amount
2025	\$ 118,825
2026	65,688
2027	38,541
2028	16,493
2029	14,493
2030 - 2034	70,463
Thereafter	38,179
Total	<u><u>\$ 362,680</u></u>

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

(6) Long-Term Liabilities, continued

IT Subscription Liability

The Utility has entered into subscription information technology arrangements for the right-to-use IT software, alone or in conjunction with a tangible capital asset. An IT subscription liability is established at the commencement of the arrangement and is initially measured at the value of the payments expected to be made during the term of the arrangement. Total future minimum IT subscription payments to be paid under IT subscription arrangements are as follows:

Fiscal Year Ended	Amount
2025	\$ 63,893
2026	59,130
2027	59,130
Total	<u>\$ 182,153</u>

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employee' Retirement System (IPERS) membership is mandatory for employees of Cedar Falls Municipal Communications Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.com.

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

Plan Benefits

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

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

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

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

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Notes to Financial Statements
December 31, 2024 and 2023

(7) Pension Plan – IPERS, continued

Disability and Death Benefits

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

Contributions

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

In fiscal year 2024 and 2023 pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utility contributed 9.44 percent for a total rate of 15.73 percent.

The Utility's total contributions to IPERS for the years ended December 31, 2024 and 2023 were \$402,563 and \$372,273, respectively.

There were no non-employer contributing entities at IPERS.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024 and 2023, the Utility reported a liability of \$1,610,886 and \$1,952,075, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all Regular Membership IPERS participating employers. At June 30, 2024, the Utility's collective proportional share relative to the contributions of all IPERS participating employers was 0.044237 percent, which was an increase of 0.000989 percent from its proportion measured as of June 30, 2023 of 0.043248 percent.

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

Notes to Financial Statements

December 31, 2024 and 2023

(7) Pension Plan – IPERS, continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

For the years ended December 31, 2024 and 2023, the Utility recognized pension expense of \$200,698 and \$233,986, respectively. At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 128,179	\$ 1,001	\$ 165,148	\$ 8,024
Changes of assumptions	-	23	-	31
Net difference between projected and actual earnings on pension plan investments	20,147	-	180,785	-
Changes in proportion and differences between Utility's contributions and proportionate share of contributions	59,768	39,950	39,857	54,732
Utility's contributions subsequent to the measurement date	206,367	-	189,808	-
Total	<u>\$ 414,461</u>	<u>\$ 40,974</u>	<u>\$ 575,598</u>	<u>\$ 62,787</u>

Subsequent to the measurement date \$206,367 reported as deferred outflows of resources related to pensions resulting from the Utility's contributions and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2024	2023
December 31, 2025	\$ (201,356)	\$ (143,170)
December 31, 2026	392,638	432,605
December 31, 2027	17,488	68,805
December 31, 2028	(45,159)	8,245
December 31, 2029	3,509	na

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

(7) Pension Plan – IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the PubG-2010 Mortality Tables, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table from IPERS Annual Comprehensive Financial Reports 2024 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	3.52%
International Equity	13.0%	5.18%
Global smart beta equity	5.0%	4.12%
Core-plus Fixed Income	25.5%	3.04%
Public Credit	3.0%	4.53%
Cash	1.0%	1.69%
Private Equity	17.0%	8.89%
Private Real Assets	9.0%	4.25%
Private Credit	5.5%	6.62%
Total	100%	

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December 31, 2024 and 2023

(7) Pension Plan – IPERS, continued

Discount Rate

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

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-24	\$ 3,953,085	\$ 1,610,886	\$ (350,456)
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability/(asset) at 6-30-23	\$ 4,150,543	\$ 1,952,075	\$ 109,720

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At December 31, 2024 and 2023, the Utility reported a payable of \$52,475 and \$46,204, respectively to the defined benefit pension plan for legally required employer contributions and a payable of \$32,158 and \$19,516, respectively for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Income Tax Status

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

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Notes to Financial Statements
December 31, 2024 and 2023

(9) Related Party Transactions

The Utility provides communications service to the City. Operating revenues from the service provided amounted to \$68,521 and \$75,032 in 2024 and 2023, respectively.

The City Council of the City of Cedar Falls, Iowa approved resolutions in 2024 to reimburse the Communications Utility for costs it incurred for improvement projects in the Tax Increment Financing (TIF) districts of the City of Cedar Falls, Iowa. This other receivable, with an outstanding balance of \$256,413 and \$243,521 as of December 31, 2024 and 2023, respectively, shall be repaid as TIF revenues are collected by the City. The Utility has recorded an offsetting deferred inflow of resources at December 31, 2024 and 2023 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$1,576 and \$537 in 2024 and 2023, respectively and are recorded as contributed capital in the Statements of Revenues, Expenses and Changes in Net Position.

The Utility makes payments in lieu of taxes upon approval by the Board of Trustees to the City of Cedar Falls, Iowa. Expenses for 2024 and 2023 were \$0 and \$30,000 respectively, which were recorded in corporate operations.

(10) Risk Management

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

The Utilities maintain a risk management account for risks related to their self-insured medical plan. The risk management account provides employee health insurance coverage for the Utilities' employees and participating retirees. The Utilities self-fund the first \$70,000 of claims per individual and have stop loss insurance for claims above this amount. In addition, the Utilities have aggregate stop loss coverage for the 2024 plan year for aggregate medical claims exceeding \$3.4 million.

Liabilities of the risk management account are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual payment of claims incurred prior to year-end. The IBNR estimate is based on the Utilities claims payment history. The Communications Utility has a balance of \$55,300 and \$29,800 included in accounts payable for its share of the IBNR claims at December 31, 2024 and 2023, respectively.

The Utilities are a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 525 governmental entities participate in the Association as of June 30, 2024. A board of trustees consisting of seven members is elected by the members participating in the Association to manage and conduct the business and affairs of the Association.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

(10) Risk Management, continued

The following table sets forth summarized financial data of the Association as of and for its year ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents and investments	\$ 112,145,244	\$ 106,486,867
Receivables	2,236,160	2,234,566
Other assets	5,060,805	4,268,864
Total assets	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total liabilities	 \$ 38,475,506	 \$ 40,400,076
Total net position	<u>80,966,703</u>	<u>72,590,221</u>
Total liabilities and net position	<u>\$ 119,442,209</u>	<u>\$ 112,990,297</u>
 Total revenues	 \$ 25,882,509	 \$ 22,820,591
Total expenses	<u>17,506,027</u>	<u>19,426,051</u>
Net increase in net position	<u>\$ 8,376,482</u>	<u>\$ 3,394,540</u>

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

(11) Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Benefits

Eligible retirees receive health care coverage through the same plans that are available for active employees. To be eligible for these benefits employees at their retirement date must meet all the following criteria:

- Be at least 55 by your retirement date.
- Apply for a bona fide retirement and begin to receive IPERS benefits following termination of employment; or is eligible to begin receiving an IPERS monthly pension benefit.
- Be currently enrolled in CFU's insurance plan at the time of election.

Plan contributions are required from retirees based on an amount equal to the full cost of active members. These medical benefits terminate upon attaining Medicare eligibility. In addition, the Plan provides \$5,000 in life insurance benefits to all retirees who elect this coverage and agree to pay a contribution for this coverage.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Notes to Financial Statements
December 31, 2024 and 2023

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

At November 1, 2023, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	80
Active members	<u>189</u>
	<u>269</u>

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,198,233 and \$1,827,687 was measured as of December 31, 2024 and December 31, 2023, respectively, and was determined by an actuarial valuation as of January 1, 2024 and January 1, 2022, respectively.

At December 31, 2024 and 2023, the Utility reported a liability of \$251,629 and \$402,090, respectively for its share of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation		
(effective January 1, 2024)	3.00%	per annum.
Rates of salary increase		
(effective January 1, 2024)	4.00%	per annum.
Discount rate		
(effective January 1, 2024)	3.26%	per annum.
Healthcare cost trend rate		
(effective January 1, 2024)	5.00%	per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the valuation date.

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

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

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

Changes in the Total OPEB Liability

	2024 Total OPEB Liability	2023 Total OPEB Liability
Utility's share of total OPEB liability beginning of year	\$ 402,090	\$ 370,708
Changes for the year:		
Changes in Utility's proportion	(18,276)	17,652
Service cost	12,263	23,445
Interest	8,103	8,298
Changes of benefit terms	-	-
Difference between expected and actual experiences	(104,049)	17,913
Changes in assumptions	(38,446)	-
Benefit payments	(10,056)	(35,926)
Net changes	<u>(150,461)</u>	<u>31,382</u>
Utility's share of total OPEB liability end of year	<u>\$ 251,629</u>	<u>\$ 402,090</u>

Changes of assumptions reflect a change in the discount rate from 2.06% in fiscal year 2022 to 3.26% in fiscal year 2024.

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

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.26%) or 1% higher (4.26%) than the current discount rate.

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Utility's share of total OPEB liability at December 31, 2024	\$ 276,662	\$ 251,629	\$ 229,876

	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Utility's share of total OPEB liability at December 31, 2023	\$ 441,576	\$ 402,090	\$ 367,568

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

Notes to Financial Statements

December 31, 2024 and 2023

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

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

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

	Healthcare Cost Trend Rate		
	1% Decrease (4.00%)	Rate (5.00%)	1% Increase (6.00%)
Utility's share of total OPEB liability at December 31, 2024	\$ 232,734	\$ 251,629	\$ 274,179
Utility's share of total OPEB liability at December 31, 2023	\$ 367,827	\$ 402,090	\$ 443,279

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

At December 31, 2024 and 2023, the Utility recognized OPEB expense of \$7,746 and \$61,688 respectively.

At December 31, 2024 and 2023, the Utility reported deferred outflows of resources and deferred inflows related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,001	\$ 106,059	\$ 57,084	\$ 15,116
Changes in assumptions	35,762	34,713	45,174	-
	<u>\$ 79,763</u>	<u>\$ 140,772</u>	<u>\$ 102,258</u>	<u>\$ 15,116</u>

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

Year-ending December 31,	2024 Amount	2023 Amount
2024	N/A	\$ 16,287
2025	\$ 1,718	16,287
2026	1,718	16,287
2027	1,718	16,287
2028	(8,842)	5,224
2029	(7,644)	6,479
Thereafter	(49,677)	10,291
	<u>\$ (61,009)</u>	<u>\$ 87,142</u>

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2024 and 2023

(12) Commitments and Contingencies

As of December 31, 2024, the Utility engaged in several construction projects scheduled to be completed by 2025 with an estimated cost to complete of \$1,403,000; of which \$532,000 is in relation to the Empower Rural Iowa Broadband Grant awarded by the State of Iowa in 2021. Construction projects associated with this grant are expected to conclude in 2025.

(13) Subsequent Events

Subsequent events for the Utility have been evaluated through April 28, 2025, which is the date that the financial statements were available to be issued.

Effective January 1, 2025, the Board of Trustees approved the following rate increases per month per subscriber: \$3.00 or 5.8%, for Basic Lifeline TV.

(14) Special Items

During 2024 the Utility entered into an agreement to purchase capital assets from affiliated Utilities. Historically, structural (building) related assets that are used by multiple entities were either owned by the Electric Utility or by the Electric, Gas, and Water Utilities, depending on the type of structure. The Communications Utility paid rent for utilization of these assets based on their estimated usage of each structure. The purchase of capital assets reallocates the ownership percentages for each Utility and eliminates future rent expense.

This transaction was valued at fair value and resulted in a one-time expense of \$788,213 for the fair value paid in excess of net book value. The Utility paid \$4,625,500 as a result of the transaction.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 101, Compensated Absences, was implemented during 2024. The standard requires recognition of certain compensation absence related liabilities that were previously unrecognized. It requires that a liability be recognized for unused leave that (a) is attributed to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As a result of adopting GASB Statement No. 101, Compensated Absences, in fiscal year 2024, the beginning net position was restated to retroactively report the change in value of liabilities as follows:

Net position December 31, 2022, as previously reported	\$	49,650,499
Add short term sick leave liability under		
GASB No. 101 at December 31, 2022		(136,414)
Add long term sick leave liability under		
GASB No. 101 at December 31, 2022		(203,653)
Net position January 1, 2023, as restated	\$	<u>49,310,432</u>

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

Schedule of Utilities Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Utility's proportion of the net pension liability (asset)	0.044237%	0.043248%	0.043446%	-0.017459%	0.041658%
Utility's proportionate share of the net pension liability	\$ 1,610,886	\$ 1,952,075	\$ 1,641,441	\$ 60,273	\$2,926,363
Utility's Covered payroll	\$ 4,089,021	\$ 3,789,086	\$ 3,497,402	\$ 3,489,426	\$3,304,091
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	39.40%	51.52%	46.93%	1.73%	88.57%
Plan fiduciary net position as a percentage of the total pension liability	92.30%	90.13%	91.40%	100.81%	82.90%
	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability (asset)	0.041905%	0.040879%	0.038885%	0.038832%	0.041302%
Utility's proportionate share of the net pension liability	\$ 2,426,561	\$ 2,586,906	\$ 2,590,264	\$ 2,443,828	\$2,040,514
Utility's Covered payroll	\$ 3,189,106	\$ 3,073,637	\$ 2,902,615	\$ 2,786,737	\$2,829,557
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.16%	89.24%	87.69%	72.11%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

* The amounts presented for each fiscal year were determined as of June 30

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 402,563	\$ 372,273	\$ 343,915	\$ 327,193	\$ 322,894
Contributions in relation to the statutorily required contribution	<u>(402,563)</u>	<u>(372,273)</u>	<u>(343,915)</u>	<u>(327,193)</u>	<u>(322,894)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 4,264,439	\$ 3,943,566	\$ 3,643,165	\$ 3,466,031	\$ 3,420,487
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 305,005	\$ 288,595	\$ 266,387	\$ 246,752	\$ 242,354
Contributions in relation to the statutorily required contribution	<u>(305,005)</u>	<u>(288,595)</u>	<u>(266,387)</u>	<u>(246,752)</u>	<u>(242,354)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 3,230,988	\$ 3,141,765	\$ 2,983,058	\$ 2,763,179	\$ 2,713,925
Contributions as a percentage of covered payroll	9.44%	9.19%	8.93%	8.93%	8.93%

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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December 31, 2024 and 2023

Notes to Required Supplemental Information
Iowa Public Employees' Retirement System

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

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

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

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

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

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

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

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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December 31, 2024 and 2023

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

	2024	2023	2022	2021	2020
Changes in Utility's proportion	\$ (18,276)	\$ 17,652	\$ 49,925	\$ -	\$ -
Service cost	12,263	23,445	21,519	15,684	14,287
Interest	8,103	8,298	7,669	8,779	8,307
Changes of benefit terms	-	-	3,812	-	-
Difference between expected and actual experiences	(104,049)	17,913	(8,613)	10,864	(2,098)
Changes in assumptions	(38,446)	-	23,345	-	17,455
Benefit payments	(10,056)	(35,926)	(28,502)	(33,210)	(17,200)
Net change in Utility's share of total OPEB liability	(150,461)	31,382	69,155	2,117	20,751
Utility's share of total OPEB liability beginning of year	402,090	370,708	301,553	299,436	278,685
Utility's share of total OPEB liability end of year	\$ 251,629	\$ 402,090	\$ 370,708	\$ 301,553	\$ 299,436
Covered-employee payroll	\$ 4,126,367	\$ 3,771,536	\$ 3,607,892	\$ 3,317,331	\$ 3,219,494
Utility's share of total OPEB liability as a percentage of covered-employee payroll	6.10%	10.66%	10.27%	9.09%	9.30%

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

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

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

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2024	2023	2022	2021	2020
Discount Rate Used	3.26%	2.06%	2.06%	2.74%	2.74%

MUNICIPAL COMMUNICATIONS UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2024 and 2023

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

	2019	2018
Changes in Utility's proportion	\$ -	\$ -
Service cost	12,244	11,153
Interest	10,094	9,454
Changes of benefit terms	-	-
Difference between expected and actual experiences	(8,834)	64,512
Changes in assumptions	-	26,001
Benefit payments	(10,239)	(26,813)
Net change in Utility's share of total OPEB liability	3,265	84,307
Utility's share of total OPEB liability beginning of year	275,420	191,113
Utility's share of total OPEB liability end of year	<u>\$ 278,685</u>	<u>\$ 275,420</u>
Covered-employee payroll	\$ 3,137,061	\$ 3,071,966
Utility's share of total OPEB liability as a percentage of covered-employee payroll	8.88%	8.97%

Changes in Benefit Terms

There were no significant changes in benefit terms.

Changes in Assumptions

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

	2019	2018
Discount Rate Used	3.44%	3.44%



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Municipal Communications Utility of the City of Cedar Falls, Iowa (Municipal Communications Utility), as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Municipal Communications Utility's basic financial statements and have issued our report thereon dated April 28, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 were not identified.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Municipal Communications Utility's operations for the year ended December 31, 2024, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Municipal Communications Utility and are reported in Part III of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
April 28, 2025

Municipal Communications Utility - Cedar Falls Utilities

Schedule of Findings and Responses

Year Ended December 31, 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 2024.

Part III: Other Findings Related to Required Statutory Reporting:

2024-IA-A	Certified Budget – Disbursements during the year ended December 31, 2024, did not exceed the amount budgeted.
2024-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.
2024-IA-C	Travel Expense – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
2024-IA-D	Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
2024-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.
2024-IA-F	Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
2024-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.
2024-IA-H	Revenue Bonds – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
2024-IA-I	Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
2024-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.



December 16, 2024

David Ames
Environmental Compliance Coordinator
Cedar Falls Utilities
1 Utility Parkway
P.O. Box 769
Cedar Falls, Iowa 50613

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

Dear Mr. Ames:

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

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

I hereby certify that this report was prepared by me or under my direct personal supervision and that I am a duly licensed professional engineer in the State of Iowa. Please contact me if you have any questions or require additional information. I can be reached at (319) 259-6614 or humphreytrenton@stanleygroup.com.

Sincerely,

Stanley Consultants, Inc.



Trenton Humphrey, P.E.
Environmental Engineer
License Number: P27585
License Renewal Date: 12/31/2025
Attachments: Attachment 1



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

**Attachment 1
Post Closure Cost Estimate - 2024**

Activity	Estimated Cost
1. General site facilities, access roads, and fencing maintenance	\$2,000
2. Cap and vegetative cover maintenance	\$2,500
3. Drainage and erosion control systems maintenance	\$2,500
4. Groundwater to waste separation systems maintenance	\$0
5. Groundwater and surface water monitoring systems maintenance	\$1,500
6. Groundwater and surface water quality monitoring and reports	\$8,000
7. Groundwater monitoring systems performance evaluations and reports	\$2,000
8. Leachate control systems maintenance	\$0
9. Leachate management, transportation, and disposal	\$0
10. Leachate control systems performance evaluations and reports	\$0
11. Facility inspections and reports	\$2,500
12. Engineering and technical services	\$2,500
13. Legal, financial, and administrative services	\$2,500
14. Financial assurance, accounting, audits, and reports	\$2,000
Total =	\$28,000